

FINANCIAL TIMES

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World Business Newspaper

MONDAY JULY 8 1996

US court approves sale of rival version of Glaxo's Zantac

Glaxo Wellcome, the world's largest drugs company by sales, has suffered a blow in a long-running legal battle in the US to prevent competition for its Zantac anti-ulcer drug which had worldwide sales of \$2.5bn (\$3.4bn) last year. A North Carolina court ruled that Canadian drug company, Novopharm, could begin selling a generic version of Zantac when Glaxo's patent expires in July 1997. Page 17

Yeltsin suffers renewed criticism: Fresh disturbances erupted in the breakaway Chechnya region and Russia's media reverted to criticising President Boris Yeltsin after his resounding election win. Page 16; Chechnya tensions, Page 2

Germany, Austria face ECU warnings: A meeting of European Union finance ministers in Brussels will tell Germany and Austria that they must reduce public debt if they are to qualify for European monetary union next year. Page 2

Creditanstalt's privatisation has again been thrown into doubt after First Austrian Savings Bank met opposition to its proposal to set up a loose management holding group with Austria's second-largest bank. Page 19

Airbus industrial executives will consider proposals for radically restructuring the world's second largest aircraft maker so it can compete more effectively with Boeing of the US. Page 2

Mazda, Japanese carmaker controlled by Ford, said it should be able to maintain a multi-model product range into the next century in spite of cutting development costs and its workforce. Page 17

New French TV service 'by Christmas': The chairman of France's second digital satellite service said it would be in operating with about 20 channels in time for Christmas. Page 2

Krajcevik wins first Wimbledon title



Dutch tennis player Richard Krajcevik (above) overpowered MaliVaI Washington of the US in straight sets to win his first Wimbledon title. In a rain-interrupted match, Krajcevik served 14 aces to win the first Wimbledon men's final between two unseeded players 6-3, 6-4, 6-3.

UNA sees new AIDS hopes: The executive director of the joint UN programme on HIV/AIDS, Peter Piot, told the opening of International Conference on AIDS that the world was entering an era of hope that the disease could be beaten. Page 4

Mandela may support Burundi troops: South African president Nelson Mandela may back a plan to send troops to prevent further bloodshed in Burundi when he addresses the Organisation of African Unity summit in Cameroon. Page 16

Global warming conference: A meeting of 150 countries to discuss halting global warming, due to start in Geneva today, will hear that Germany and the UK are the only countries set to honour a pledge to stabilise emissions by 2000. Page 4

Report warns HK on efficiency: Hong Kong must improve efficiency and reduce costs to maintain an edge over regional rivals, a Harvard Business School study claims. Page 8; Lex, Page 16

Save the Children, the UK's largest international children's charity, has asked the Chinese government to investigate allegations that Nestlé, the world's biggest food processing group, has broken the World Health Organisation's code covering the sale of breast milk substitutes. Page 4

Bangkok busy restrict traffic: Thailand may ban the use of new cars in traffic-congested Bangkok during rush hours, despite government success in attracting investment from leading carmakers. Page 8

European Monetary System: The French franc climbed four places in the EMS grid, despite a five basis point cut in the intervention rate from the Bank of France. The Danish krone stayed on the bottom of the grid with the spread between currencies little changed. Currencies, Page 27



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the quiller which move in a 2.25 per cent band.

Country	Code	Rate	Country	Code	Rate
Austria	136.25	Germany	100.00	UK	166.67
Belgium	136.25	France	100.00	US	193.63
Denmark	166.67	Italy	136.25	Spain	166.67
France	100.00	Japan	166.67	Sweden	136.25
Germany	100.00	Netherlands	136.25	Switzerland	136.25
Italy	136.25	Portugal	166.67	US	193.63
Japan	166.67	Spain	166.67		
Netherlands	136.25	Sweden	136.25		
Portugal	166.67	Switzerland	136.25		
Spain	166.67	US	193.63		
Sweden	136.25				
Switzerland	136.25				
US	193.63				

Independence Day blitzes US box office records

By Christopher Parker in Los Angeles

Independence Day, an alien invasion film dedicated to the unlikely proposition that humanity can survive after the White House has been fried, destroyed half a dozen box office records in its first week in the cinema. By midday on Saturday, less than four days after its launch in the Fourth of July holiday week, the hit of the season had taken

Alien invasion film attracts millions as summer movie season heats up

more than \$60m in ticket sales as an estimated 10m people rushed to the multiplexes. The \$45m record for the holiday week's take, set by Terminator II over six days in 1991, was already shattered by Friday. The best box office gross for a Wednesday opening, recorded last month by Mission: Impossible, evaporated last week as \$17m

rolled across the ticket counter. Pundits scrambled for ever more erudite comparisons as the 20th Century Fox film outpaced News Corporation's media empire struck back in the war for America's bottoms. The film, which cost an estimated \$75m to make and has consumed untold millions more in an extravagant six-month mar-

keting campaign, marks the peak of a cinema season as remarkable for its predictions of impending doom as for its undeniable success. It started with Twister, a successful whirlwind saga now rolling into world markets, and has continued with Arnold Schwarzenegger's Braver, Walt Disney's The Rock, the Tom

Cruise vehicle, Mission: Impossible, a hit remake of Jerry Lewis's Nutty Professor with Eddie Murphy and an animated Quasimodo jerking tears and ringing bells in Disney's The Hunchback of Notre Dame. Although gross domestic cinema revenues are certain to beat last year's record of about \$5.3bn, the impact on margins of high

production and marketing costs has been compounded this year by excessive output. Films which might have expected long stays in cinemas have been squeezed out or pushed into smaller theatres by the following week's offerings. While Disney has responded by announcing plans to halve its live-action production schedule to about 20 films a year, the

Continued on Page 16

Moscow plans \$1bn sale of 200 city hotels

By Sotcherzade Danelidze in London and John Thornhill in Moscow

Moscow's city government is extending privatisation to Russia's hotel industry by putting 200 hotels on the market, with a price tag of at least \$1bn. The hotels include the recently refurbished five-star National close to Red Square, Lenin's favourite hotel which was also rumoured to have once been the base for the KGB.

It is currently under management contract to Forte, the hotel group owned by Granada, the UK television and leisure group. The plans to spruce up Moscow's hotels in time for the 80th anniversary of the city's foundation next year are part of an ambitious programme of urban renewal by Mr Yuri Luzhkov, the city's populist mayor. Mr Luzhkov, who was re-elected last month by an overwhelming majority, has actively promoted foreign joint ventures in Moscow. The city government has an equity stake in more than 80 restaurant, retailing and hotel chains.

Most of the hotels, however, are in poor repair and, according to Knight Frank, the UK-based chartered surveyor which is acting as investment adviser to the city government, require "substantial refurbishment and, in some cases, reconstruction". Mr Luzhkov has been a fierce critic of the national government's mass privatisation programme and appears determined to pursue a more hands-on approach to selling the city's hotels. But critics allege Mr Luzhkov's interventionist style of

business results in preferential treatment for businesses in which the city administration has a financial stake.

The Russian government has struggled to attract foreign investors into recent privatisation issues largely because of the difficulty of defending property rights in the country's unpredictable legal environment.

Mr Stephen Potel, head of international hotels at Knight Frank, said the city government did not wish to sell the freehold for the best properties. It would probably grant renewable leases of up to 49 years and was likely to form joint stock companies in which 25 per cent would be held by the city and the rest offered to foreign investors.

"The city government wants to attract foreign capital and foreign management expertise for the kind of accommodation that can be marketed worldwide," said Mr Potel. He said Knight Frank and Moskva, its joint stock company, would be structuring financial packages, such as a global facility and tax holidays, to encourage overseas investment.

The city's hotel industry is polarised between 12 upmarket hotels and the rest, described by one hotel analyst as "units for human habitation" where cockroaches run rampant and bathpans are a rare commodity.

The most likely buyers are international hotel companies willing to put in some equity to secure a Moscow presence, such as Hilton International, Marriott and ITT Sheraton, property and construction companies, and individuals with large sums of rottable income seeking investment opportunities.



Injury at start of Pamplona festival: Pamplona's running of the bulls began yesterday and a 25-year-old South African, one of scores of foreigners who risk their lives in the annual spectacle in the northern Spanish town, was rushed to hospital after being badly gored. Picture: Reuters

Philip Morris hit by Naples tax probe

By Robert Graham in Rome

Executives of Philip Morris, the makers of Marlboro cigarettes, are due to be questioned by investigating magistrates in Naples this week about alleged tax evasion on its Italian operations over the past 10 years. The investigation, begun in 1995, is understood to involve up to 25 senior figures in Philip Morris Europe and Interia, a Milan-registered affiliate.

The issue is highly sensitive as the company's production licence agreement ended on June 30. Brands of the US multinational account for 54 per cent of the legal Italian cigarette market and perhaps as much as 70 per cent if contraband sales are included. The essence of the case is that Philip Morris has allegedly misrepresented the nature of Interia

and has thereby paid considerably less tax than it should. The amount involved is unclear. The company operates under two separate agreements in Italy: a production licence on which royalties are received, and a distribution agreement for cigarettes produced in Germany and the Netherlands. Last year royalties income was worth L1.21bn (\$78.8m), while the group distributed cigarettes worth L1.225bn.

The tax on this was based on the company being foreign-registered. The magistrates are probing whether Interia, with 1,400 employees in five factories, could be construed as a fixed headquarters for the multinational, in which case it should pay corporate taxes at a higher rate. On Friday Philip Morris denied any wrongdoing. The investigation was apparently sparked by Mr Ernesto Del

Gizzo, head of the Italian monopolies authority, who told a parliamentary committee last November that Philip Morris enjoyed a privileged position that needed to be reassessed. Industry sources said yesterday that the investigation risked rebounding on the monopolies authority, whose role appears increasingly anachronistic in Italy's plans to liberalise and privatise.

Guinness rules out GrandMet bid after 'reviewing options'

By Roderick Oram in London

Guinness denied yesterday that it was planning a \$18bn (\$20bn) takeover bid for rival Grand Metropolitan or considering having off its brewing business. But it made clear it had studied such options as a way of boosting profits.

The group, which has come under pressure from some shareholders to improve its flat earnings performance, said it had asked Lazard Brothers, its lead merchant bank, to review such possibilities. But after reviewing them it had rejected them. "Guinness has no intention of making a hostile bid for Grand Metropolitan or of selling or demerging its brewing business," the company said. All spirits producers are suffering slow profits growth. Guinness's review of its options appears to have been an attempt to find a way to break out into stronger growth, analysts said.

Distributing more brands through Guinness's global network was an obvious way, giving some appeal to a merger with GrandMet, the food and drinks group. But such a deal would face several major issues. Combined, the two groups would own about 55 per cent of Scotch whisky distillation and have more than 50 per cent of the US Scotch market. Financial hurdles include high capital gains taxes on selling GrandMet's Pillsbury and Burger King food businesses. "I think they'd struggle to do it," one analyst said yesterday. "If Guinness did anything stupid - and we don't believe they will - we are ready for them," a senior GrandMet executive said. "We don't want to sound complacent but we are having our best year ever."

Analysts expect competitive pressures to bring ownership changes in the industry in coming years. Allied Domecq, which

has issued a string of profit warnings, remains the most obvious target for a break-up. Lazard's analysis of a Guinness bid for GrandMet was leaked to the Sunday Telegraph. Guinness will make a formal statement today. So explicit was its declaration that it would not make a hostile bid for GrandMet or sell its brewery business, that the London Stock Exchange would not allow it to change its mind in the medium term.

But Guinness acknowledged its statement left open a possible friendly deal with GrandMet to buy GrandMet's International Distillers Vintners drinks arm, which includes brands such as Smirnoff Vodka, J&B whisky and Bailey's Irish Cream. But GrandMet and analysts said this was extremely unlikely given the central role of spirits in GrandMet's operations.

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Resisting call for genius, Page 17



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Bangkok may ban new cars until 2001

By Ted Bardacka in Bangkok

Thailand is on the brink of imposing severe restrictions on the use of new private cars in traffic-congested Bangkok, a move which flies in the face of government success in attracting major investments by leading vehicle manufacturers.

Deputy Prime Minister Thaksin Shinawatra, in charge of Bangkok's transportation policy, has proposed that new vehicles bought from January 1, 1997 until the end of 2000 be banned from city streets in the morning and afternoon rush hours.

Mr Thaksin is also preparing to limit the use of some city thoroughfares in rush hours to vehicles carrying at least two people.

While a provision of the regulations would allow people who already own cars to transfer their right to circulate from their old cars to new ones, the measure would "virtually destroy the market for first-time new car buyers, who will be forced to buy used cars if they wanted access to Bangkok's streets at all times",



Rush-hour traffic clogs a main thoroughfare to the centre of Bangkok city. New cars may be banned soon

Byn Gern

Manufacturers are concerned about the proposal and the Federation of Thai Industries Automotive Club is seeking a 30-day industry response. Many have pointed out the time new car buyers, who will be forced to buy used cars if they wanted access to Bangkok's streets at all times,

cars with intact registrations in an attempt to corner the market on used licence plates. Some manufacturers have questioned Mr Thaksin's divided loyalties, as in addition to controlling traffic policy, his party is also in charge of Thailand's industry ministry.

With Thailand poised to become the centre of automobile production in the region, this rule will hint at the government's inconsistent policy, said Mr David Snyder, president of a Ford-Mazda joint venture scheduled to begin producing pick-up trucks in 1998.

Yet with Ford producing vehicles whose main market is outside Bangkok and Thailand, it is Japanese carmakers, particularly Toyota and Honda, which would be most affected by the move. Toyota and Honda are using Thailand as the testing ground for a series of low-cost "Asian-specific" cars targeted at first-time

Sugar imports tariff attacked in Australia

By Nikki Tait in Sydney

Australia's tariff on sugar imports is "difficult to justify" and provides a distorting transfer of wealth from sugar users and consumers to those involved in the sugar industry, an independent report on the sector has concluded.

The report was conducted by the Boston Consulting Group for a working party reviewing the sugar industry on behalf of the Australian federal government and the Queensland state government.

Traditionally, the sugar industry has been among the most protected in Australia's rural sector, although some reforms have already been implemented.

Although the consultants were not required to make recommendations, their report found little in favour of the tariff.

It said that "import protection provided by the tariff is redundant"; that the transfer of wealth had little justification; and that the tariff also "is poorly placed to offer assistance to the industry in periods of low world prices and is not well targeted".

However, the report was less damning about some of the other restrictions in the industry.

It said that cane supply arrangements in Queensland were "prima facie anti-competitive" but that even in the absence of regulation, there would not be a competitive market for most cane, given the transportation issues.

However, it also acknowledged that "a major consequence of the current arrangement is that, in some mill areas, season length may be shorter than that which could be considered optimal".

The report also found the raw sugar marketing arrangements - all sugar is sold to the Queensland Sugar Corporation to be "prima facie anti-competitive".

But the effect of this compulsory acquisition and single-desk selling on sugar exports was to enhance export returns by as much as A\$70m (US\$55m) a year. "This is through the ability of the single-desk seller to manage the volumes it sells to each market in the interests of maximising industry returns."

In the domestic market, single-desk selling meant a higher price for the industry than it could earn on export sales. If single-desk selling was ended, "the domestic price would be likely to fall to 'export parity', resulting in a loss to the sugar industry but a gain to sugar users and consumers."

Australia is the world's sixth largest sugar producer, and 95 per cent of its cane is grown in Queensland. Like Thailand and Cuba, it exports more than three-quarters of its output, largely in the form of raw - rather than refined - sugar.

The consultants' report will now be considered by the sugar industry review working party, which in turn will make recommendations to the federal and state governments later this year.

Hopewell sees progress in transport scheme

By Louise Lucas in Hong Kong and Ted Bardacka in Bangkok

Hopewell Holdings, the Hong Kong infrastructure company, has signalled progress in its protracted efforts to push on with its \$3.2bn mass transit system for Thailand's capital, Bangkok.

This week the company will start negotiations with rail systems suppliers and export financing institutions in Europe. This follows last week's signing of three con-

tracts for part of the work on the project.

Mr Colin Weir, engineering manager of Hopewell (Thailand) said the Thai government was no longer asking Hopewell to finalise financing for the project by July 16.

Instead, he said, the government had asked for proof of progress, including the signing of the latest three contracts for work on the project. The contracts were signed in Hong Kong on Friday with Philipp Holzmann (Thai). They

comprise a Bt22.5bn (\$885m) civil system contract covering the road system and structures for the rail system, and two piling contracts each worth Bt1.5bn (\$59m).

The Thai government and Hopewell have had several wrangles over the project - most recently concerning the route design near the residence of Thailand's King Bhumibol. The company also told the government that it could not finalise funding for the project without all

necessary state approvals.

Early last week the government appeared to relent, sacking a deputy transport minister who had made threats to cancel the project.

With this obstacle removed, the company expects final government approval within the next 30 days and predicts the financing package will be completed by the end of the year.

Mr Gordon Wu, Hopewell chairman, is to start negotiations in Europe this week with suppliers in Britain and Ger-

many, as well as with export financing institutions in both countries.

Under a project finance package tentatively arranged by NatWest of the UK and Germany's Kreditanstalt für Wiederaufbau, Britain's Export Credit Guarantee Department or Germany's Hermes will lend \$1.2bn for the trains, while foreign banks are to be asked to lend \$200m and That banks around \$300m. Hopewell itself is injecting equity of some Bt12bn (\$472m)

and plans an eventual listing on the Thai stock exchange.

Mr Wu has promised that the first three stages of the project, totalling 44km, will be fully operational by December 1999 and that the elevated highway portion of the system will be ready in 1998, to time for the Asian Games.

The company estimates the piling is 40 per cent complete and subcontracting work about 10 per cent complete. Overall, the project is 10-12 per cent completed.

Study stresses need to retain business autonomy after handover of sovereignty to China next year

HK 'must cut costs' to keep edge over rivals

By John Hidding in Hong Kong

Hong Kong has managed a smooth transition to an international-based economy but it must improve efficiency and reduce costs to maintain an edge over regional rivals, according to a study led by professors from Harvard Business School.

Mr Michael Enright, who led the study, said Hong Kong also needed to counter negative international sentiment relating to its return to China next year.

He said this perception had been fuelled by gloomy media coverage and by rivals such as Singapore, which are seeking to capitalise on uncertainties in Hong Kong in their attempt to attract multinational businesses.

In a positive assessment of Hong Kong's business prospects, the study cited the development of thousands of transnational companies that sourced production from the mainland and elsewhere in the region and provided high value-added services from headquarters in the territory.

"Hong Kong and Hong Kong firms act as packagers and integrators, organising industrial activities to match sources of supply and

demand," said the study. Dismissing claims that manufacturing had "hollowed out", Mr Enright argued that low value-added parts of the production process had been shifted offshore and that this had been achieved with minimal dislocation in terms of employment.

Concerning costs, the Harvard study concluded that office rents and salaries in Hong Kong were high compared with Shanghai, Sydney and Taipei, but were comparable with or lower than in Singapore or Tokyo.

Figures cited in the study

Office rents and salaries are higher than in some centres

estimated annual office rental costs per square metre in prime downtown locations at US\$1,194 in Hong Kong, US\$1,066 in Singapore and US\$466 in Taipei.

The basic package for an expatriate financial manager is higher in Hong Kong than in Singapore, Sydney or Taipei.

Against this, Hong Kong continues to provide a tax advantage, with a basic tax rate of 16.5 per cent being the lowest in the region.

According to the study, however, many Hong Kong companies have not yet adjusted to operating in a high-cost economy.

"Many have not identified inefficiencies of past practice or incorporated cost-saving information and managerial systems," said Mr Enright.

Workforce skills and training had also struggled to keep pace with the transformation of the economy, he said.

Two challenges cited by the Harvard study were:

- The need to improve the efficiency of the non-traded sector, from utilities to medical and legal services.
- The need to retain business autonomy after the handover on July 1 next year, when Hong Kong becomes a special administrative region (SAR) of China.

"Hong Kong's success as a business centre is imperilled if Hong Kong interests attempt to go around the SAR administration," said Mr Enright, referring to fears that business groups may lobby Beijing and bypass the post-colonial government on business decisions and contracts in the territory.

See Lex, Page 16

HONG KONG AND REGIONAL RIVALS: COST COMPETITIVENESS						
	HK	Shanghai	Singapore	Taipei	Sydney	Tokyo
Basic package salary range (US\$)	271,774-402,494	308,304-429,020	224,808-321,732	211,840-251,427	198,213-200,213	
Expatriate financial manager	89,297	6,253	89,489	61,519	78,882	
Local sales manager	110,004	9,489	138,494	78,014		
Senior secretary	25,888-30,575	4,746-5,884	27,344-32,670	17,475-21,157	31,521	
Corporate taxation						
Basic tax (%)	16.5	33.0	27.0	25.0	36.0	37.5
Beats of taxation	Local	World	Local/renitted	World	World	
VAT/Sales tax (%)		17.0	3.0	6.0	11-46	3.0

Concerns in territory grow as another top official steps down

By John Hidding

Hong Kong's director of immigration has stepped from his post, adding to concerns that the administration will be weakened by departures as the territory prepares for the handover of sovereignty to China on July 1 next year.

Government officials said at the weekend that the immigration director, Mr Laurence Leung, 55, had decided to resign for personal reasons.

However, some legislators said the surprise move came

amid anxieties in the civil service about the handover and after a number of other departures.

Since the beginning of the year, the secretary of the civil service and the secretary for transport have both resigned. Last week, six civil service department heads said they planned to take early retirement ahead of July 1 next year.

Morale in the civil service was shaken earlier this year when a Chinese official said that senior members of the administration would have to support a provisional legisla-

ture which Beijing plans to establish in place of the existing elected body.

The civil service is regarded as one of the most important institutions in implementing a smooth handover and maintaining Hong Kong's autonomy under Chinese sovereignty.

Although Mr Leung was responsible for sensitive issues, such as nationality, passports and freedom of travel, officials said that his departure would not disrupt preparations for the handover.

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Charity seeks Beijing baby milk probe

Save the Children, the UK's largest international children's charity, has asked the Chinese government to investigate allegations that Nestlé, the world's biggest food processing group, has broken the World Health Organisation's code covering the sale of breast milk substitutes.

Shell plays for high stakes in Nigeria

It has to tackle local anger, hostage-taking and violence, reports Robert Corzine

Great corporate issues are rarely settled in remote African villages. But it is among the hundreds of hamlets and fishing camps that hug the meandering rivers and creeks of the Niger River delta in southern Nigeria that Shell, the Anglo-Dutch oil group, is tackling one of its most intractable problems.



Shell in Nigeria: upgrading work being carried out on a site on the coast at Forcados

Shell's operations in the western delta. "I hope they would remain peaceful." When viewed against such a bleak background, a corporate withdrawal from Nigeria may seem more of a blessing than a burden.

might eventually be found in Nigeria's deep water, according to Shell geologists. The company also holds massive reserves of natural gas, the fastest growing fossil fuel.

Netanyahu's 'painful operation' on sick economy will hit defence, health and education hardest

Israel set to approve big budget cuts

Israel's new government was set to approve sweeping spending cuts yesterday as Mr Benjamin Netanyahu, prime minister, pressed ahead with his commitment to liberalise the economy as the touchstone of his four-year administration.

Israel set to approve big budget cuts

running at an annualised 14 per cent against a government target of 8-10 per cent. Mr Netanyahu yesterday defended the budget cuts amid concerns of some ministers about social welfare, saying he had inherited an economy which was like a sick patient needing urgent "treatment".

OAU faces Burundi dilemma

The Organisation of African Unity's (OAU) commitment to peacemaking on the continent will be tested as never before when African leaders gather in Cameroon today for its annual summit.

Nations try to get to grips with failure on emissions

Ahead of the US presidential and congressional elections this November, Washington has even made retrograde steps - scrapping both national speed limits and a modest tax on petrol.

The main butt of the criticism has been a phrase in an IPCC summary for policymakers that the "balance of evidence" suggests mankind has a "discernible" influence on global climate.

Until specific targets, timetables, and policy tools are agreed, it is difficult to put an exact price tag on the likely cost of further abatement measures.

Reducing them below 1990 levels could cost the equivalent of several per cent of GDP. However the main argument for starting action now is that it can take up to 100 years to get rid of some carbon dioxide that has built up in the atmosphere, warming the climate.

New drugs hold 'hope of cure'

The world is entering an age of new hope that Aids could be conquered, according to Mr Peter Piot, executive director of the Joint UN Programme on HIV/Aids, writes Daniel Green.

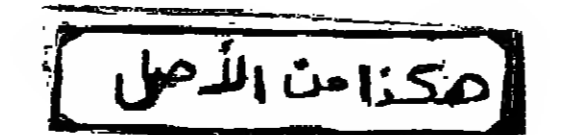
Ground starts to shift in Aids debate

Nobel prize contenders, film stars and body-builders were among the 15,000 people gathered yesterday in Vancouver, Canada, for the world's biggest Aids conference.

whilst the HIV's defences. AZT is made by Glaxo Wellcome of the UK, whose new drug, 3TC, also works well in these combination therapies.

than for yet more research needs a more diplomatic approach. The economics of treating Aids is likely to be a focal point of the conference too.

Table titled 'Aids: the global toll' showing statistics for HIV/AIDS cases and deaths in various regions including North America, Europe, Asia, Africa, and South America.



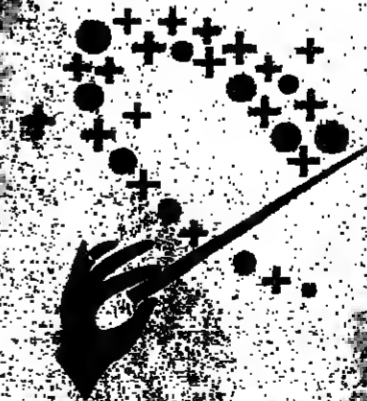
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NEWS: UK

Finance minister says he will not put long-term economic recovery at risk Prospect of tax cuts played down

By James Blitz and Peter Marsh

Mr Kenneth Clarke, the UK chancellor, yesterday admitted that the prospects for tax cuts in this year's Budget were not good because Treasury officials had underestimated the extent of this year's budget deficit.

As the chancellor prepares to unveil the Treasury's summer economic forecast tomorrow, Mr Clarke said he would not cut taxes if this endangered Britain's long-term economic recovery or his goal of eliminating the government's budget deficit in the medium term.

Speaking on BBC Television, Mr Clarke said that a tax-cutting Budget was "not a complete non-runner". But he added that the chances of reducing taxation were "not very good" either.

"I am not going to do it if it will drive up our borrowing or delay the real economy out there doing good," he said.

The chancellor acknowledged that the summer economic forecast would revise upward his estimate of the government's public sector borrowing requirement this year.

He admitted that the upward move was partly due to an unexpected shortfall in revenue, especially receipts of value added tax, but said the source of the problem was still unclear. He said that his officials "got their estimates wrong".

He added: "This time the tax did not come in as they expected before. It may be that there is some increase in evasion but there is no evidence of it. It may be people's spending patterns are different this time compared to the last recovery."

Leading economists said yesterday that the shortfall in tax

The chancellor versus the forecasters

1996 Budget forecast compared with current consensus of independent forecasts	Budget forecast 1996	Consensus forecast 1996
Constant price % change on 1995		
Gross value added	4.2	3.2
Fixed investment	4.2	3.2
Exports of goods and services	7.2	3.7
Imports of goods and services	6.7	3.7
Gross domestic product	3	2.3
Manufacturing output	2.5	2.7
RPI 4th quarter (excluding mortgage payments)	2.5	2.7
Balance of payments current account	22.5	28.9
PSBR financial year 1997		

Source: Treasury



Kenneth Clarke: his officials "got their estimates wrong"

receipts and weaker than expected growth would mean Mr Clarke would be forced to increase his estimate of the government deficit in 1996-97 to about £20bn (£42bn), some £2bn above his forecast in the November Budget.

Even though this would reduce the room for tax cuts in the November Budget, the economists expected the chan-

cellor to put an optimistic gloss on the UK's economic prospects, highlighting the progress towards lower inflation and interest rates.

Mr Steve Hannah, the chief economist at IBI International, the European branch of the big Japanese bank, said: "Mr Clarke will find he has some leeway for tax cuts, but no more than £2bn-£3bn, and they won't set the world on fire - or do much for the Conservatives' election chances."

Mr Paul Chertkov, the global head of currency research at UBS, the Swiss bank, said that in spite of the gloomy news on the deficit, Mr Clarke would be able to proclaim the return of the "feel-good factor" among consumers that would help keep UK economic growth fairly high this year and next.

According to UBS's projections, the economy will expand 2.8 per cent this year and 3 per cent next year - which Mr Chertkov says is creditable by the standards of much of Europe.

Smaller companies display confidence

By Richard Gourlay

Britain's leading owner-managed businesses are in robust health and investing strongly, according to a survey by KPMG, the accountancy firm.

Operating profits grew by an average 18 per cent and sales by 18 per cent during the past 12 months, the survey says, while investment in fixed assets showed "powerful evidence of management's confidence in the future of British business".

The survey suggests that the layer of small and medium-size private companies, which is responsible for an important share of gross domestic product and employment, has emerged from the recession-bruited but with renewed vigour.

"Cost controls, wise investment, technological innovation and improved products and services and marketing skills" are cited as reasons for the strong performance.

Growth in sales was fastest in the south-east of England where turnover rose 15 per cent on average. The west of England enjoyed the fastest growth in operating profit - up 34 per cent - followed by the Midlands.

"After the boom-and-bust years of the 1980s and early 1990s, UK Ltd is now flourishing in the more stable environment generated by the 'high-lower economic cycle,' the report says.

Owner-managed companies are making the most of a stable domestic economy, and more are using this base as a platform for international expansion.

One example is Canon Rubber, a maker of car mats and babies' bottles in north London, which has sales of about £40m (£60m). The decline of the pound has helped sales in the US. But the main growth has arisen in the UK.

"Sales are up 20 per cent and profits have doubled in the last year," said Mr Edward Atkin, the managing director.

Report available from KPMG. 0161-838 4000.

UK NEWS DIGEST Stances harden in BA dispute

The chances of an early resolution to the strikes threatened for next week by British Airways' pilots remained slim yesterday with attitudes on both sides appearing to harden.

With the indefinite strike only nine days away, there were no signs that either the airline or the British Airline Pilots' Association, which represents nearly all BA's 3,500 pilots, were ready to make concessions. There was no contact between the two sides at the weekend and there are no plans for meetings this week.

BA yesterday again offered "completely unconditional and unambiguous" talks to try to avoid a dispute which will cause widespread disruption to air travellers. But it complained that improvements in the deal which were offered last week to short-haul pilots operating from Gatwick airport, near London, had not been put to the vote. The airline urged BAPLA members to call on their union to restart discussions. It has offered a 3.6 per cent rise to all employees this year and an inflation plus 0.5 per cent deal next year. BAPLA said it was ready for more talks but insisted there had to be something new to discuss.

Michael Cassell, London

LABOUR PARTY

Leader faces revolt on pay

Mr Tony Blair, the leader of the Labour party, was last night facing a revolt from within his parliamentary party on the issue of MPs' pay. In spite of attempts by Mr Blair to tighten his grip on the party, members of the shadow cabinet and other Labour MPs said they were preparing to defy the leader's backing for a modest pay rise this week.

Mr Blair has said he will vote in favour of a government motion on Wednesday to give members of the House of Commons a 3 per cent pay increase. This would throw out a recommendation from an independent pay review body that salaries should rise by around £10,000 (£15,000) per year.

Meanwhile Lord Nolan, whose report on MPs' outside interests led to curbs in their business dealings, has decided to resign as chairman of the committee on standards in public life next year. Aides say Lord Nolan will not seek a renewal of his term when it expires in October 1997 - three years after he was asked by Mr John Major, the prime minister, to look into the ethics of politicians and officials from other public organisations.

James Blitz

NORTHERN IRELAND

Protest as march halted

Northern Ireland was last night braced for widespread protests by Protestant pro-British people, known as Orangemen, after police stopped a parade by them marching through a Roman Catholic area. As the stand-off amid intermittent scuffles continued outside Portadown, Orangemen from across the province were mobilising behind one of their leaders, the Rev Martin Smyth, the MP for South Belfast.

Mr Smyth appealed for calm but hinted that his followers were prepared to break the law in a bid to win the right to march along their traditional route. "If the security services can block roads so can we," he said.

Meanwhile, Sir Patrick Mayhew, the Northern Ireland secretary, announced that he is to stand down as an MP at the next general election. He announced his decision at a meeting in his Tumbidge Wells constituency in south-east England. Sir Patrick, aged 66, is one of the oldest members of the cabinet.

Press Association

Four-wheel switch will test Rover chief

Boosting sales is one challenge facing Walter Hasselkus when he takes the helm

If obscurity were the main criterion for choosing a new chief executive of Rover, the British carmaker owned by BMW of Germany, then Mr Walter Hasselkus would find his name high on the list.

Mr Hasselkus, who will take over on September 1, is neither British, nor, at 54, particularly young - contradicting two of the selection criteria mooted by BMW when it announced that Mr John Towers, the previous chief executive, was stepping down. Moreover, as the head of BMW's motorcycle division since 1993, Mr Hasselkus's most recent automotive experience has been on two wheels rather than four.

As the former head of BMW's UK distributor in the 1980s, and head of its big South African operation, Mr Hasselkus's appointment has, nevertheless, been broadly welcomed. He is a trained lawyer who has been

on BMW's board since January, and his long career in the group spans sales, marketing, and manufacturing. In the UK, he is well remembered as an approachable motivator of younger staff.

But running Rover will be much tougher than managing BMW's well-oiled motorcycle division. In the two months before moving to his new job, Mr Hasselkus will have to brush up on four main issues.

Improving Rover's financial and commercial performance will be his two top priorities. For the first time in years, the company has a broadly competitive model range, deriving largely from its former co-operation with Honda. Its two most recent models, the MGF convertible and the Rover 200 hatchback, which were developed internally, also show that the company can boast engineering and product development skills.



Walter Hasselkus: a long and varied career with BMW

The task for Mr Hasselkus will be to build on those talents in the marketplace and sell more cars. Rover reported a DM335m (£220.3m) pretax loss on BMW's books last year. That was largely because its capacity far exceeds its sales. Although registrations have risen in some parts of Europe

and in Japan, the company continued to lose share in the UK, its biggest market.

Mr Hasselkus's two other main tasks are also intertwined. He must exploit the technical and commercial benefits of belonging to a bigger group while safeguarding Rover's individuality.


That will involve differentiating the two brands much more adroitly. Although distinctions exist - such as between BMW's rear-wheel drive technology and Rover's front-wheel one - the latter's present brand image remains fuzzy. BMW has hinted that Rover could focus more on foreign markets where the German marque remains too expensive, or develop along the lines of Audi, BMW's up and coming, but distinctive German competitor. Yet both strategies remain ill-defined: implementation is even more sketchy.

In the longer term, BMW may also want to redefine its organisational links with Rover. Mr Hasselkus's appointment means there will be two BMW board members with Rover responsibilities, as Mr Wolfgang Reitzle will remain as non-executive chairman.

The surprise arrival of another German as chief executive could allow Mr Reitzle, BMW's research and development supremo, to take more of a back seat at Rover. Some German observers believe that he may be growing too involved with Rover's everyday affairs. A full withdrawal by Mr Reitzle could even leave the Rover chairmanship open to a senior UK industrialist or politician, who might provide just the figurehead to emphasise the company's British image, in spite of its growing German affiliations.

Haig Simonian





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مكتبات الأهل

Allies at odds over extradition

DATELINE

Rome:
The Italo-US extradition treaty may have to be scrapped after a decision by Italy's constitutional court, says Robert Graham

It is rare indeed to witness Italian politicians and the media clap hands and acclaim justice has triumphed. Yet this has happened in the case of Pietro Venezia, a 44-year-old emigrant from Puglia, who has successfully fought off extradition proceedings to face a murder charge in the US.

Venezia's two-year battle against extradition has been portrayed as the victory of European humanitarian values over the American ethos that crudely embraces capital punishment. The outcome is thanks to a ruling by the Italian constitutional court which, in an unprecedented judgment, decided 10 days ago that Italy's 1988 extradition treaty with the US was not applicable to Venezia because it contradicted his inalienable right to life enshrined in Article 27 of the 1948 constitution.

Baraldini, an Italian citizen imprisoned in the US on terrorism charges. For several years the Italian government has been vainly seeking to have Baraldini transferred to Italy so that she can serve

the remainder of her sentence on home soil. The Italians put US reluctance to grant the request down to a belief that her jail treatment in Italy would be too soft. Unfortunately, US suspicions have been reinforced by the escape of a Palestinian terrorist - found guilty of murdering an American Jewish tourist during the hijack of the Achille Lauro cruise liner - from an Italian prison while on weekend leave.

Venezia had been living in the US for some 20 years, latterly building up a successful restaurant business in Miami. As a result of an investigation into the earnings of his Miami restaurant by a Florida state tax inspector, he was given a heavy fine. His bank accounts were then frozen. Enraged by this, Venezia called upon David Bonham, the tax inspector, two days

before Christmas 1993. During an argument Venezia shot Bonham dead. Venezia never denied the killing but subsequently claimed he was being persecuted by the tax inspector and that he shot only in self-defence. His lawyers said the tax inspections began after he had made a deposition - under FBI pressure - about certain allegedly corrupt judges who frequented his restaurant.

case to the national court of appeal, but 12 months later this court too accepted the US request. As a result Lamberto Dini, the then prime minister and the acting justice minister, signed the necessary documents last December for Venezia to stand trial in the US. The move was made after the US Justice department had given undertakings that Venezia would not face execution.

Much more to the man than cameras

Christopher Brown-Humes on Sir Stanley Kalms, the colourful and controversial chairman of Dixons

He is one of Britain's best-known retailers, a passionate free marketeer, a staunch Tory, and a towering figure in Britain's Jewish community. He has variously been described as an autocratic bully, a generous benefactor and a 19th century moralist.

One thing is certain, Sir Stanley Kalms, the Dixons chairman, is one of Britain's most colourful and controversial business figures. Whether speaking out against a federal Europe, attacking strict corporate governance rules, or calling for the resignation of Britain's chief rabbi - as he did earlier this year - he is often hitting the headlines on issues outside his core electrical retailing business.

But it is Dixons, Britain's leading electrical retailer with a 17 per cent market share, that has given Kalms his platform and which brought him his knighthood earlier this year. He has built up the group from one store in London's Edgware and a weekly turnover of £106 in 1948 to 800 stores and an annual turnover of about £2bn today.

The success will be confirmed on Wednesday when the group is expected to report record profits of £180m-£185m, well ahead of last year's £100m in spite of a generally difficult retailing environment.

Dixons has moved a long way from the camera business on which its fortunes were founded. It sells every high-tech, modern gadget you can think of from TVs and videos to computers, camcorders and mobile phones. Its four chains are all "in a state of dynamic expansion", according to Kalms. They include: Dixons, with its strong high street presence; Currys (increasingly an out-of-town rather than a high street business); PC World (a computer specialist) and The Link (a communications specialist).



Kirch nets World Cups without too much worry

Leo Kirch, the German media mogul, did not seem too worried about the outcome of his bid to clinch the 2002 and 2006 World Cup television rights outside the US last Wednesday, which he and ISL, the Swiss group, won for SF2.8bn (£1.4bn), writes Judy Dempsey.

lary of Silvio Berlusconi's Fininvest. And he is poised to launch Germany's first digital pay-TV service later this month.

Hard days ahead for Air France chief

There can have been few more gruelling days in Christian Blanc's varied and distinguished career than last Thursday, writes David Owen.

After a morning spent explaining to employees why a merger between Air France and its domestic partner was necessary, he emerged, tired and hungry, to be confronted by a scrum of TV cameras and sharp-elbowed reporters.

It is the first of several tough days the Air France chairman can expect to endure in what will be a vital summer for the state-controlled airline's prospects. While many of his fellow countrymen and women will be off on their *grandes vacances*, Blanc, 54, will be working out the details of his proposed restructuring.

There is a good chance, moreover, that he will be scrambling to keep as many Air France Europe flights as possible in the sky in the face of a strike action. A statement signed by 11 of the company's 14 trade unions last week rejected the merger, branding it a "new management diktat". Air France Europe has already been subject to two 24-hour strike calls within a week.

It was a bitter strike in 1993 that forced the resignation of Bernard Aitall, his predecessor. Blanc may have an ace up his sleeve, however: the reaction of Air France workers to his plan has been much less hostile, with some unions backing it. Blanc believes his lack of specialist grounding in the airline industry, prior to joining Air France in October 1993, works to his advantage, enabling him to look at problems with fresh eyes.

He learnt many of his negotiating skills in the hotbed of New Caledonia, where he co-ordinated the work of the extraordinarily successful conciliation mission dispatched by Michel Rocard, the then Socialist prime minister, in 1988.

He has turned down several key posts over the years, including the offer of ministerial office and the chance to be head of the French secret service.

PEOPLE



Sir Stanley: 'I see no limit to bigger and better'

believe in the simplistic approach of a referendum. Another bugbear is stakeholding which Kalms sees as a form of collectivism and the antithesis of a market economy. He resents it as it is overly prescriptive and its "duty of care" concept is too broad. It is the same objection to the rigidly prescriptive that has led Kalms to take issue with some of the recommendations of the Greenbury committee on corporate pay.

Kalms admits his overriding mantra is the market economy - but he seeks to put some distance between himself and the free market's most fervent disciple, Lady Thatcher. He talks of improving some of the "weaknesses" of the Thatcher era and of doing more to ensure equality of opportunity. "We have to make sure the safety net doesn't let anybody drop through, but on the other hand the mesh is perhaps too fine at the moment," he says.

Stephanie Flanders · Economics Notebook

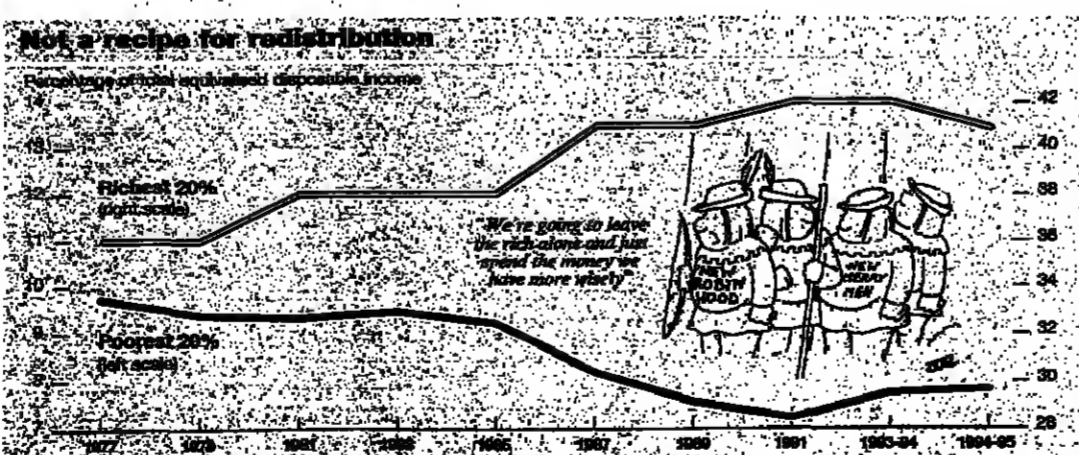
New Robin Hood

Why redistribution from rich to poor should have more fans



Labour leader Tony Blair produced a 'not the manifesto' document last week which, fittingly enough, was defined by what it did not say. No large-scale meddling with the market, no big spending pledges and, no, repeat no, "penal" redistributive taxes on high earners.

Within the new Labour party redistribution from rich to poor seems to have acquired the same status as industrial policy and nationalisation. That is, as a policy frowned upon in all except rare cases of market failure. By rights, however, the rise in the inequality of incomes since the 1970s ought to have made redistribution rather easier to defend, politically and economically.



middle-class swing voters in the 1990s means promising tax cuts for the many and tax rises, if at all, only for the very few. This is probably because, in the real world, the pivotal voters lie somewhere above the median, because the poor - being younger, often, or less-educated - are less likely to vote than the well-off.

usually countries with the lowest pre-tax inequality - in Continental Europe, for example - that have the highest share of transfers. Conversely, the US has a very high degree of pre-tax inequality, coupled with one of the lowest shares of government transfers.

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BUSINESS EDUCATION

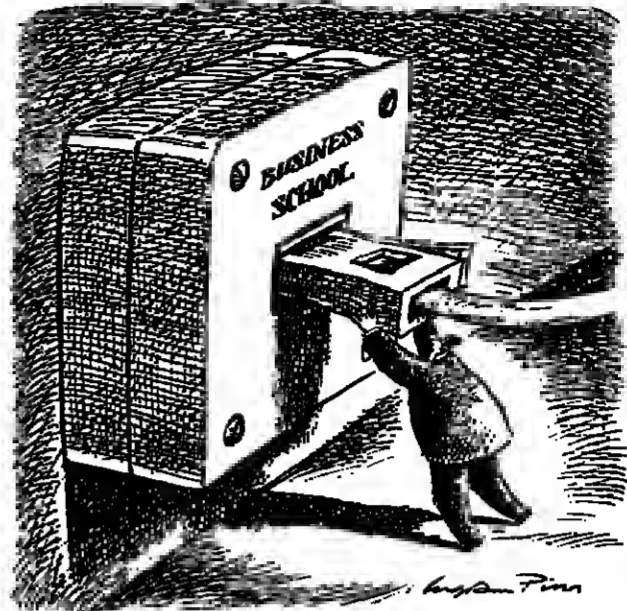
Business schools are increasingly using the Internet to communicate and to deliver course material

Socket science

James Richards, a pathologist in Lansing, Michigan, is pursuing his masters degree in business administration in an unusual way: by plugging into the Internet.

The programme, sponsored by the University of Phoenix, allows students to attend classes, submit homework assignments, receive comments and even "talk" to other students in chat groups online.

The course work will be conducted in cyberspace over the weekend, and upload their work on Monday. By Friday, the computer decides the consequences of the virtual managers' actions, and offers an updated scenario.



Online onset

Where the US leads, Europe inevitably follows - in using the Internet as much as elsewhere. While some European business schools use the Internet as a way for students and alumni to keep in touch, the Southampton Institute in the UK is already using it as the backbone for a three-year part-time MBA course.

NEWS FROM CAMPUS

Cosmetics company doubles its money

Leonard Lander, president of the Estee Lauder cosmetics empire, has given an additional \$10m (£6.5m) to the Wharton school at the University of Pennsylvania.

government regulation and corporate governance

The UK's Ministry of Defence has invested more than \$450,000 in multimedia management training materials. Developed by Training Direct, the courses will be used in the Ministry's Defence Management Training Organisation.

Singer, sailor, pilot, manager

The UK's Ministry of Defence has invested more than \$450,000 in multimedia management training materials. Developed by Training Direct, the courses will be used in the Ministry's Defence Management Training Organisation.

Lawyer unlocks professor's door

The Yale school of management has appointed one of America's leading experts on corporate law as a visiting professor in competitive enterprise and strategy.

ira millstein, senior partner at weil, gotshal & manges, in New York, specialises in anti-trust law.

Business Books Business Books Business Books

Advertisement for Blackwell's Business Choice books, listing various titles such as 'The European Equity Markets', 'The Business Guide to Mobile Computing', and 'The Future Skills Series'.

SPORT / ARCHITECTURE

A threat to silver-tongued race talk from Silverstone

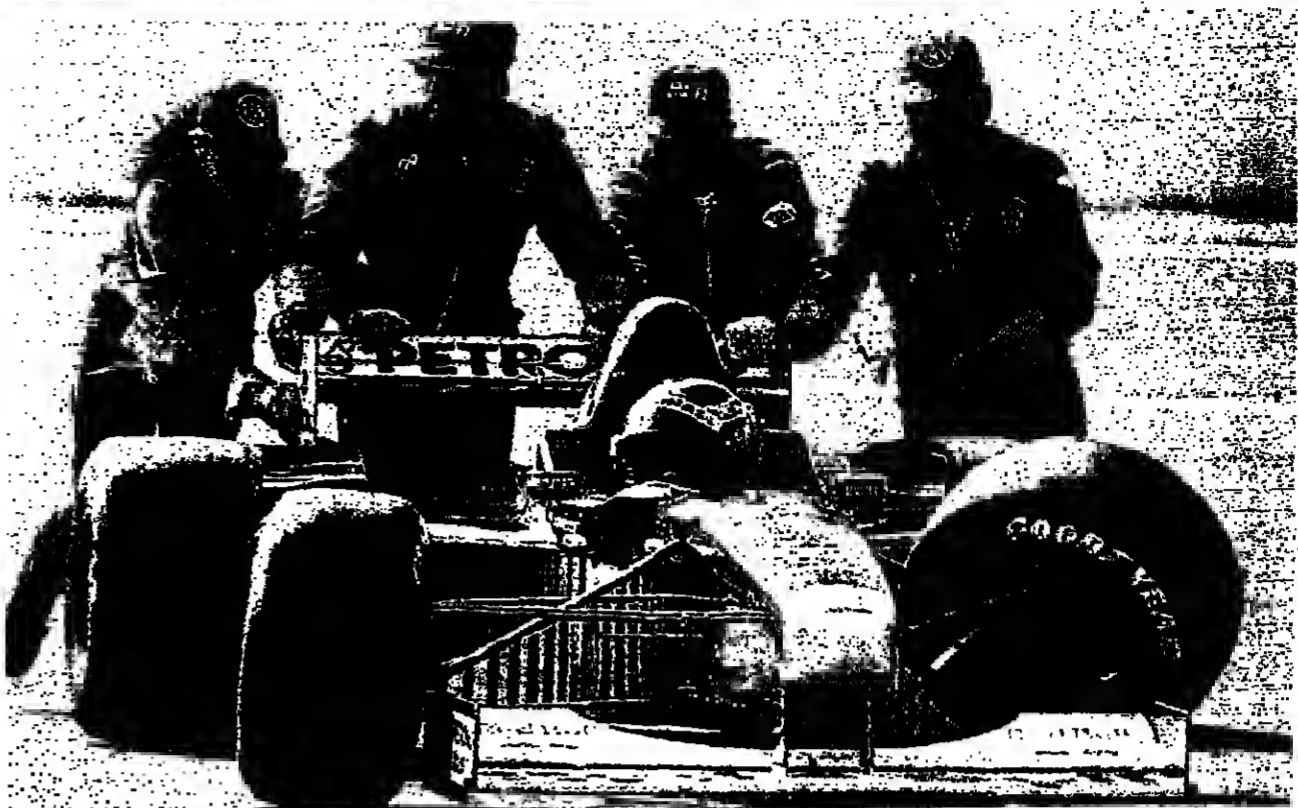
Keith Wheatley on the televised future of the British Grand Prix



Saturday's British Grand Prix will attract capacity crowds. Formula One is hugely popular world-wide but nowhere more so than in the UK, the administrative, technical and emotional home of international motorsport.

When news first broke that ITV had pre-empted the BBC with a reported (but unconfirmed) \$70m (\$109m) bid for Formula One, the trade press started a persistent canard that, as on BBC, each race would be run live and without interruptions for commercials.

existing UK regulatory regime was at least as tough as anything FOCA (Formula One Constructors' Association) might insist on. A maximum of seven minutes of ads per hour fitted their views pretty well," Chowns says.



Heinz-Harald Frentzen of the German Sauber team after a crash with Damon Hill at Magny-Cours

One important question that remains in the air is the question of tobacco advertising. Formula One would be on its knees without the huge sums of sponsorship that cigarette companies such as Marlboro, Rothmans and Benson & Hedges pump into a few key teams.

There is a clear distinction between an event controlled by a cigarette firm and one where there is a degree of sponsor-participation.

The enthusiast - and there are millions of them - will be able to choose and pay for one of half-a-dozen different views from the race. Chowns will be on hand with Michael Schumacher, or in Jean Alesi's garage. Digital will let you do it. The first trial broadcast is from Silverstone. With all due respect to the silver-tongued Walker, this is the story to watch.

Homage to Catalonia's first city

Architects meeting in Barcelona will find much to learn from, says Colin Amery

Almost all the architects in the world are in Barcelona this month for the conference of the IUA - the International Union of Architects. It is the right place to be because Barcelona exemplifies a city where contemporary architecture is working well for the benefit of the inhabitants.

Barcelona, as the first city of Catalonia, has always been exceptional in the architectural expression of its individual personality.

Guell, makes it one of the most strange but accessible examples of his work. Gaudi was completely loyal to his city and he was loved by the people, who followed his coffin in their thousands when he died.

The policy is not a negative one - the Olympic Games in the city in 1992 enabled the creation of new motorways that freed the centre of fumes and traffic.

That has led to a wave of new building of real quality. Santiago Calatrava's telecommunications tower and Norman Foster's slim tower are symbolic of the future.

Barcelona is so full of lessons for the international gathering of architects. I hope they will not spend too much time talking but most of their time looking at one of the very few cities that is determined to make urban life in the year 2000 inspiring and beautiful.

CONFERENCES & EXHIBITIONS

SCIP EUROPE 13-15 October 1996. A GATHERING OF COMPETITIVE INTELLIGENCE PROFESSIONALS. A major international conference exploring the ways firms can improve Business Analysis to gain competitive advantage in an era of rapid change will be held in Vienna, sponsored by the Society of Competitive Intelligence Professionals (SCIP) and SCIP Europe.

FAIRPLACE CONFERENCES THE SHAPE OF BANKS TO COME Summer School 11-16 August 1996, Christ's College, Cambridge. The 5-day residential programme will be chaired by Eric Glover, Fairplace, eminent speakers include Joseph De Foa, Group Director, Barclays & Peter Hofner, Regional Head, Credit Suisse & Zigmund Jarai, Chief Executive, Magyar Hitei Bank, Budapest & Jim McDermott, President, Kocfin Bruyette & Woods, Chicago & Sir Brian Pittman, Group Chief Executive, Lloyds/TSB Group.

THE WEEK AHEAD

Table with columns for TODAY, WEDNESDAY, THURSDAY, and SUNDAY. Each column lists various financial instruments like stocks, bonds, and derivatives with their respective prices and values.

SEPTEMBER 12-13 Groupware and the Web. A 2-day residential programme will be chaired by Eric Glover, Fairplace, eminent speakers include Joseph De Foa, Group Director, Barclays & Peter Hofner, Regional Head, Credit Suisse & Zigmund Jarai, Chief Executive, Magyar Hitei Bank, Budapest & Jim McDermott, President, Kocfin Bruyette & Woods, Chicago & Sir Brian Pittman, Group Chief Executive, Lloyds/TSB Group.

SEPTEMBER 12-13 FT European Life Insurance - Strategies for Success in a Fast-Changing World. Speakers will include Sir Andrew Lagan, Chairman, The Securities and Investments Board; Mr Stephen E White, Chairman, Chief Executive Officer, MetLife International Holdings; Mr Manfred Lautenschlager, Chief Executive, MLP AG; Mr Iain Lumsden, Group Finance Director, The Standard Life Assurance Company; Mr John Dentham, MR, Shadow Minister for Pensioners and Professor Steve Jones, Professor of Genetics, UCL.

UK COMPANIES. TODAY COMPANY MEETINGS: Culver Holdings, Copthorne Hotel, Copthorne Way, Culverhouse Cross, Cardiff, SA1 1JN. Wednesday July 10 COMPANY MEETINGS: Cafe Inns, Summer House, St Thomas's Road, Chorley, 5.30. Chairman: Arthur Andersen, Reg. Office: 38 Curzon Street, W., 11.30.

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BUSINESS TRAVEL

Travel News - Roger Bray

Room with a price

Tax on New York hotel rooms has come down - but room prices are going up. The average daily rate has risen from \$143 (\$92) two years ago to an estimated \$156 this year.

PKF Consulting, part of Pannell Kerr Forster International, says rates have been pushed up mainly because few new rooms are being built in the city at a time when demand is rising because of increased economic activity and a relatively cheap dollar.

Occupancy rates are forecast to reach 79 per cent this year, the highest since 1988. In 1993

the figure was only 69 per cent. PKF attributes some of the rise in business to a cut of nearly one-third in the heavy state and city hotel taxes - down from 21.25 per cent to 15.25 per cent.

End of the paper chase

Business travellers could soon be making paperless expenses claims. A new system launched in the US automatically collates all credit and charge card transactions and sorts them out as air, hotel or car costs. The traveller then sends the

claim by e-mail.

Cash expenses can be tapped in, though presumably most companies will continue to demand paper receipts for them.

The system, called ActOne has been devised by travel agency giant Carlson Wagonlit. Among its features is one that allows travellers to carry details of their company's negotiated hotel deals on their laptops.

Virgin bows out

Regular users of the Virgin Atlantic franchise service between London's City airport and Dublin will see changes from the end of the month when franchisee CityJet

begins flying under its own colours, Kate Bevan writes.

The franchise is coming to an end by mutual agreement and CityJet will start its own services to the Irish capital from July 29.

With its new service to Washington DC inconveniently operating from Heathrow's Terminal Two, Virgin has made special arrangements for Upper Class passengers. As long as they arrive 60 minutes before the flight departs, Upper Class travellers can still check in at the airline's main base at Terminal Three and use the Clubhouse, from where they will be bussed to the aircraft at Terminal Two. Virgin hopes to move its

Washington flights to Terminal Three by next summer at the latest.

The herd instinct

If you think flying is already uncomfortably akin to the migration of wildebeest, be warned. There is worse to come. Airbus Industrie now predicts worldwide demand for more than 1,200 aircrafts able to carry upwards of 500 passengers. Its own embryonic contender is a project known as the A3XX.

While you may not notice much difference once you have settled into your seat with a drink, imagine the chaos when an aircraft that big gets stuck overnight - and

hotel beds have to be found for 600 or so frustrated passengers.

Pillow talk

It is the details that keep you going back to hotels. Management consultant Chris Duffy cites two noteworthy examples - one in Cheshire, the other in Spain.

On a winter's morning at Rookery Hall, Nantwich, he observed staff scraping the ice from cars - before their owners had checked out. And while staying at the Mella Madrid, he was full of wonder at the "pillow menu", which offers 10 choices, from the classically sprung to the "odourless and anti-allergic".

Likely weather in the leading business centres

City	Mon	Tue	Wed	Thu	Fri
Tokyo	☀	☀	☀	☀	☀
Hong Kong	☀	☀	☀	☀	☀
London	☀	☀	☀	☀	☀
Frankfurt	☀	☀	☀	☀	☀
New York	☀	☀	☀	☀	☀
L. Angeles	☀	☀	☀	☀	☀
Mumbai	☀	☀	☀	☀	☀
Paris	☀	☀	☀	☀	☀
Dubai	☀	☀	☀	☀	☀

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Distant incentive to industry

Not everybody's idea of a good time is a week in a distant city with 100 of their closest colleagues. Yet conference, incentive and meetings groups are a core part of the travel industry and many business travellers may find themselves on a group trip.

South-east Asia is a favourite destination for companies organising such trips, and the regional centres are going after a slice of the business. Singapore, in particular, is concentrating on wooing what is known as the MICE sector of the travel industry - meetings, incentives, conferences and exhibitions - with a concerted effort by the government-run Singapore Tourist Promotion Board to push its facilities and co-ordinate visits by groups.

The Singapore Convention Bureau, an offshoot of the tourist board, launched a campaign three years ago to increase its meetings business. This culminated last year in more than 200 conferences being held in the tiny city-state. Officials from the convention bureau fall over themselves to help anyone even thinking of running a group trip to the city.

Other regional centres are competing hard too. Three of the leading south-east Asian cities - Singapore, Bangkok and Hong Kong - have different attractions for organisers. John Lawson, director of Motivation Travel Market, an incentive travel group, says first impressions are very important.

South-east Asia is a popular destination for companies organising trips, says Kate Bevan

"Singapore is seen as cleaner and safer," he says, but points to advantages of other cities in the region. "Hong Kong is very popular at the moment with 1997 just around the corner. People want to go there before it is handed back to the Chinese."

Yet Hong Kong, which has seen hotel prices rise sharply since the recovery of confidence by travellers following the end of the Gulf war, is felt to be expensive by operators such as Lawson, and Richard Pavitt, a consultant who has been organising incentive trips for many years. Pavitt says Thailand is better value for money than both Singapore and Hong Kong, although Singapore scores with both men for its shopping and safety, as well as its reliable infrastructure. There are none of the hour-long waits at red traffic lights in Singapore that travellers regularly encounter in Bangkok.

Once on such a trip, the traveller is expected to join in and have fun, and the organisers make sure it starts as soon as the group arrives. Lawson, for example, says he might lay on a group of lion dancers to greet the jet-lagged group at Hong Kong's Kai Tak airport, or Curkha pipers at Changi, Singapore's airport.

Pavitt says an organiser can turn a disadvantage into a ben-



efit at Bangkok by avoiding the traffic jams and transferring a group to the city centre by helicopter or by boat along the Chao Phraya river - one reason he tends to choose the riverside hotels in that city.

Once recovered from jet-lag, travellers on such a trip to south-east Asia can expect to spend two or three nights in the city and see some of the sights. But it is important to give people a taste of something they could not do for themselves, says Lawson. "People can easily buy a package and do the Grand Palace in

Bangkok by themselves on a holiday," he remarks. "The idea is to give people a memorable travel experience."

A favourite device for memorable group fun is a theme party at a venue such as Singapore's Zoological Gardens, where ritual humiliations such as draping a python around the boss's neck may be on the evening's agenda.

"Hotels try and sell theme parties," says Lawson. "You can have an Italian or Mexican theme night in Singapore, or you can have a typical Malay evening." However, "people

appreciate free time," he says. "The trick is to present it as something very casual and leave people to make up their own minds about what they want to do. You can suggest alternatives - say a trip to a night market, or a Singapore Sling at Raffles - and then they decide."

Organisers agree that a two-centre trip is the most popular. Both Lawson and Pavitt say they like to spend two or three nights in a city and then get out to somewhere different. From Bangkok, Pavitt says it is reasonably easy to reach Hua Hin, a resort village on the west coast of Thailand 140 miles from Bangkok. Lawson likes to combine trips in Singapore or Bangkok with a trip on the Eastern & Oriental Express, sister of the Venice-Simplon Orient Express.

For those prepared to fly, the Malaysian island of Penang is a regular second stop on such a trip from Singapore, while Bali is a short flight from Bangkok and has "value impact" in the organiser-speak, and the mountains and temples of the region around Chiang Mai in the north of Thailand are under an hour away by air.

But the incentive business is a trend-driven one. South-east Asia may be winning business now, but next year somewhere else could overtake it. "For example, South Africa is the trendy place now," says Lawson. "You can't tell. One year they all go east, one year they all go west."

How to catch a bargain in a web

Working long hours in a strange city is hard enough, but if you are stranded away from home at the weekend and your expense account does not extend to leisure travel, your laptop computer may hold a little bonus for you.

Airlines are increasingly turning to the Internet to market empty seats at bargain prices. The biggest bargains on the Net at present are American Airlines' Net SAAver fares. Launched in May, these fares are marketed exclusively on the Internet and apply only to last-minute travellers who can depart on a Saturday and return on the following Monday or Tuesday.

Travel deals are mainly within the US, apply only to non-stop flights, and often have Chicago, Dallas, or Miami as a destination or departure point. Unlike some discount fares that hardly seem worth the bothersome restrictions, Net SAAver savings are enticing, with prices often 10 per cent of published last-minute fares.

Examples of recent Net SAAver deals are \$109 (£71) return between Chicago and Boston, \$139 return between Dallas and San Diego or Miami and Toronto, and \$269 return between New York and San Francisco.

Airlines offer rock-bottom fares on the Internet, says Laurie Morse

American distributes the weekend fares every Wednesday by electronic mail. Interested travellers must subscribe (at no charge) in advance by calling up American's Net SAAver page on the World Wide Web at: <http://www2.nmrcopr.com/cgi-bin/anns>. Predictably, the number of seats at these fares are limited, and experienced web travellers say it is best to book deals before Wednesday evening.

Surprisingly, you cannot buy your Net SAAver tickets on the web, but reservations can be made on-line, or by calling a free telephone number. Tickets are picked up at the airport on departure.

The web also gives travellers outside North America easy access to low-cost US airlines that do not have international reservation arrangements. Southwest Airlines, which travels to 47 US cities and is among the least expensive US carriers, has an interactive Internet reservation process that allows customers anywhere in the world to see

where the airline flies, select from a range of fares and departure times, and then book a trip using a credit card. In this process, tickets are obsolete, and a reservation code is all that is needed to claim a seat at the gate.

Unlike the Net SAAver deals, Southwest's best fares are for reservations made two weeks or more in advance of travel, so it is advisable to browse the Southwest Internet site before you leave for the US. Southwest's Internet address is <http://www.flysw.com>.

Do not be surprised if an airfare bargain entices you to a place you have never considered visiting before. Mr Errol Ativader, a printing executive from southern California, says: "If you're willing to try things on the Internet, there are so many advantages."

In addition to finding bargain air-fares for leisure travel, he uses the Internet to ferret out points of interest and special events near his destination.

One Net site he recommends for trip planning is Mapquest (<http://www.mapquest.com>), a jazzy interactive atlas of the US that provides everything from driving direction and road maps to highlights of regional attractions. It even shows where to find the nearest bank, should bargains other than air-fares beckon.

CATHAY PACIFIC

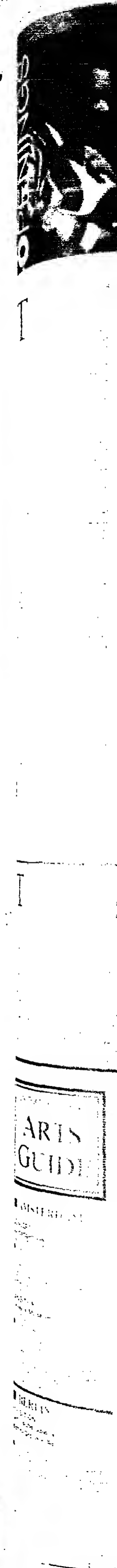
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Handwritten Arabic text: "مكتبة جامعة القاهرة"

Vertical text: "Volume Year Class"



دنيا

OPENINGS

The shocking first notes told us this was not going to be an entirely serious occasion. Not that there was anything wrong with them; at least not when they started out. It is just that, after leaving José Carreras's mouth, they insisted on savouring the atmosphere of this famous stadium for a moment or two, went on a lap of honour, and bounced back with a vengeance from the stands opposite. In a word: echo. But this was not the night to judge refinement of technique, nor subtlety of tone. This was showbiz at its corniest, and who was arguing about the odd reverberation? By the encore, we were so used to hearing double that we were treated to a virtual reprise of the entire medley finale which closed the concert proper.

I wasn't sure about this. To sing one "O Sole Mio" under a threatening sky was careless; but to sing it twice was asking for trouble. It was all very well for Plácido Domingo to wave ironically at the clouds; he did not have a steward barking at him to lower his umbrella.

I blame Luciano Pavarotti, who had flicked a contemptuous eyebrow skyward during his "La mia canzone al vento" and defied the elements to carry him away: "Vento, portami via con te". The stiff breeze thought about it for a minute, but decided against. Instead we had the inevitable downpour during the first half's climax, the skies opening up for "Torna a Surriento". Most of the crowd was in the stands under cover, but some were on the pitch and they wished it was all over.

But the interval did the trick. You could buy plastic bags and all the Three Tenors merchandise you could wish for (although three tenors were not enough to buy a sweatshirt of the great ones).

By the time the second half started, the skies had taken pity on the £350 seat holders. So had the singers, who, with proper showbiz timing, visibly moved up a gear or two. The first raucous cheers of the night came for Carreras's "Granada". Domingo followed with "E lucevac le stelle" and Pavarotti, with a toe-curling "Nessun Dorma".

As in all mega-concerts, video screens meant you could enjoy the occasion communally or intimately. The crowd unsurprisingly took a

THE HAGUE
The North Sea Jazz Festival which begins on Friday is surely the biggest event in the jazz calendar. Headliners this year include B.B. King (left), Branford Marsalis and Herbie Hancock. But with more than 200 concerts across 13 stages in one weekend, it is almost easier to list who isn't appearing.

LONDON
Ibsen's "John Gabriel Borkman" opens at the National Theatre on Thursday. Directed by Richard Eyre, the cast is led by Paul Scofield, Vanessa Redgrave (right) and Enoch Atkins.

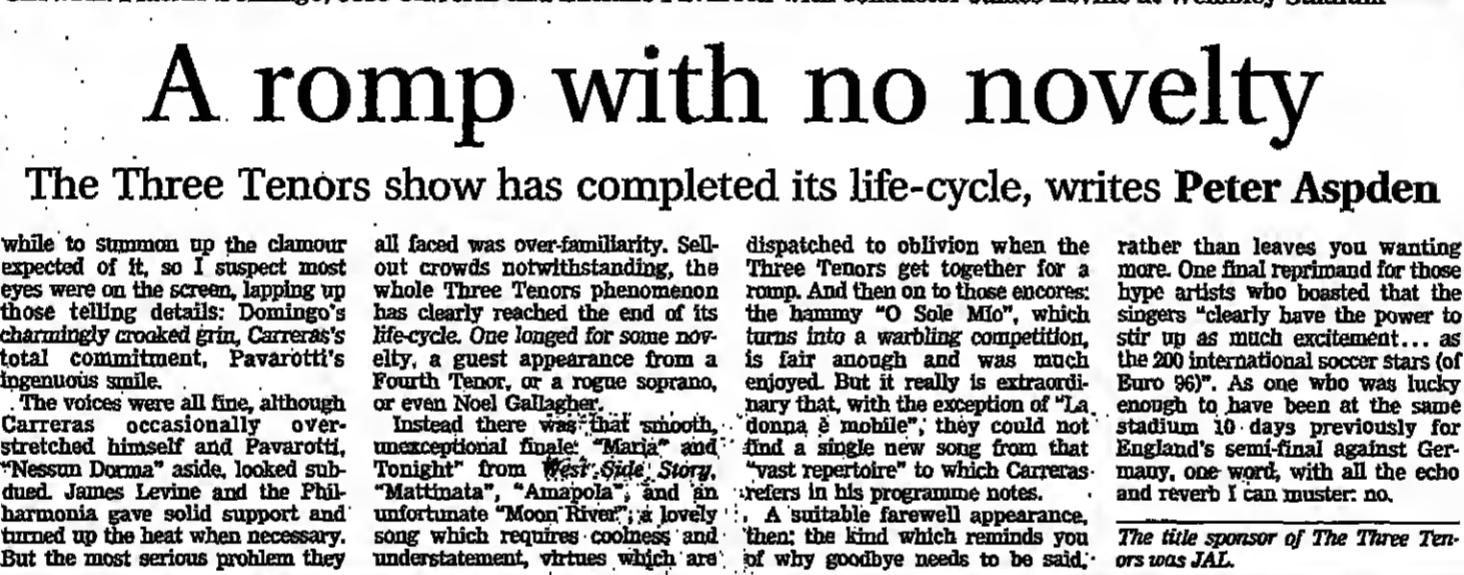
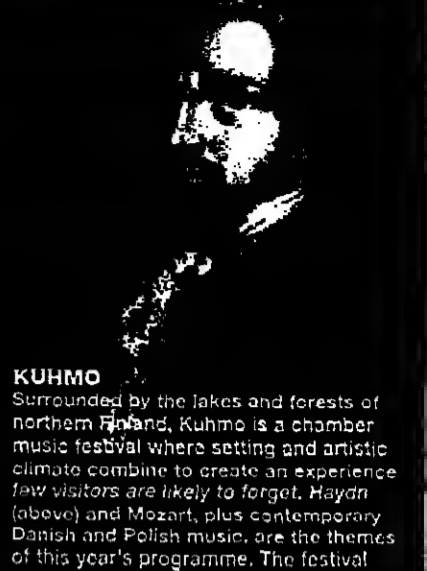
PARIS
At the Paris Opera, the young and brilliant hopefuls are on show this week in evenings dedicated to "Jeunes Danseurs".

MILAN
Gershwin's "Porgy and Bess" will be performed at La Scala this week for the first time in more than 40 years. The production, conducted by John De Main and staged by the choreographer Hope Clarke, was first mounted at Houston Grand Opera 16 months ago, and has since toured the US. The first of eight performances is on Friday.

BERLIN
An unusual exhibition of art from the Silk Road opens at the Museum für Volkerkunde on Friday. Ranging from the fourth century to the present, it includes more than 1,000 objects from the region now known as Uzbekistan. The exhibition will illustrate the development of the Silk Road as an artery for trade in precious goods, and also the role it played in spreading the great religions of the world.

NEW YORK
To accommodate the new Lincoln Center festival, this year's Mostly Mozart has been split into two parts, beginning tomorrow and Wednesday with a programme featuring Itzhak Perlman and Pinchas Zukerman as violin and viola soloists. After the first two weeks of concerts, Mostly Mozart takes a break, returning on August 12 for a further fortnight.

KUHMO
Surrounded by the lakes and forests of northern Finland, Kuhmo is a chamber music festival where eating and artistic climate combine to create an experience few visitors are likely to forget. Haydn (above) and Mozart, plus contemporary Danish and Polish music, are the themes of this year's programme. The festival opens on Sunday and runs for two weeks.



Showbiz: Plácido Domingo, José Carreras and Luciano Pavarotti with conductor James Levine at Wembley Stadium

A romp with no novelty

The Three Tenors show has completed its life-cycle, writes Peter Aspden

while to summon up the clamour expected of it, so I suspect most eyes were on the screen, lapping up those telling details: Domingo's charmingly crooked grin, Carreras's total commitment, Pavarotti's ingenious smile.

The voices were all fine, although Carreras occasionally over-stretched himself and Pavarotti, with a toe-curling "Nessun Dorma", looked subdued. James Levine and the Philharmonia gave solid support and turned up the heat when necessary. But the most serious problem they all faced was over-familiarity. Sell-out crowds notwithstanding, the whole Three Tenors phenomenon has clearly reached the end of its life-cycle. One longed for some novelty, a guest appearance from a Fourth Tenor, or a rogue soprano, or even Noel Gallagher.

Instead there was that smooth, unexceptional finale: "Maria" and "Tonight" from *West Side Story*, "Mattiinata", "Amapola" and an unfortunate "Moon River"; a lovely song which requires coolness and understatement, virtues which are

Theatre/Alastair Macaulay

O'Neill's long journey

Long Day's Journey into Night is widely regarded as Eugene O'Neill's greatest play, and as one of the masterworks of American theatre. I love it, and yet I find it one of the most peculiar plays: it is among the most autobiographical, and there are moments when you wonder why, 43 years after O'Neill's own death, a British audience should be attending to the family facts surrounding his early life. In its study of dangerous illness and of addiction and quasi-Oedipal affection, it recalls Ibsen's *Ghosts*, a play written with far greater dramatic suspense.

Far from suspense, *Long Day's Journey* is an exercise in dramatic inevitability beyond anything in Greek tragedy, and twice as long. As performed at present at the Young Vic, it lets us know in its first half-hour that Mrs Tyrone has returned to her old addiction to morphine and that she has never been able to create a proper home for her family, that her husband James is a famous actor but has been a bullying old skinflint with appalling effects on all his family, that their son Jamie is an alcoholic, and that their younger son Edmund is about to be diagnosed as having consumption.

All these become clearer as the play proceeds, which takes (with one interval) three hours and 40 minutes.

The beauty of *Long Day's Journey*, however, is in its eloquent and increasingly lyrical scrutiny of the interior workings of a family. O'Neill took the material of both Greek tragedy and Ibsenian drama and, in the full light of modern psychoanalysis, set them on American soil. The child that died; the son whose birth spoils everything; the disappointments of a great career; the cowardly envy of a brother's talent; the false economies that led to medical ruin; the nostalgia for life before marriage.

These hurried secrets gradually become part of the landscape, and, as we become used to seeing them, we start to forgive the characters. They, however, do not welcome the full glare of honesty, and Mary longs only to put as much between it and herself as possible. Fog and light are the dominant metaphors of the play.

Everything about Laurence Boswell's production at the Young Vic is good, but not all of it is quite good enough to bring off every aspect of this difficult play. The tempo is too steady; the pacing needs more dynamic contrast. The Irish/American accents are fair *per se*, but the inflections and placing of the voices remain sometimes too British.

Richard Johnson has the gruff exterior of James Tyrone, but misses both the tyranny and the old-thesp grandeur of the role, and its more searing anguish. Penelope Wilton at first does not convince in the quotidian nervousness of Mary Tyrone, but keeps disclosing more variety and pain and lyricism within the character. Gradually she makes her escapist psyche the extraordinary deep centre of the play, and she is beautifully supported by the two fine performances of the actors playing her sons.

Admittedly, Mark Lambert's Irish accent sometimes becomes too strong for the role of Jamie, and Paul Rhys does not persuade us that his Edmund was once a sailor; but we believe in them, and in their nervous systems, from the first. Rhys, whom I have never seen act so well, actually becomes a centre of psychological authority to the entire play, and Lambert, in his big drunk scene, expresses the play's blackest bile in one compelling outpouring.

Young Vic, SE1.

This year, the Barclays New Stages festival has been showcasing some of our more established and irreverent experimentalists of the theatre - Ken Campbell, *The People Show* and *The Brittonion Brothers*.

The Brittonion Brothers' double act, originally forged in 1983, is riotously funny. It features Timmy and Chrissy (Britton), a pair of internationally-acclaimed, preposterously self-important film makers who jet set around the world collecting awards for their iconoclastic and rather cack-handed cinematography. Obsessed, deluded and completely maniacal.

Barclays New Stages/Sophie Constanti

Sophisticated lunacy from established experimentalists

Timmy and Chrissy are bringing invites whose dress sense points to a shared wardrobe with Les Patterson. Together, they guide us through a retrospective of some of their most ground-breaking films, including *Rollerblind*, *Bidet* and *Who Shot the Cameraman*.

Gratitude to their sponsors is indirectly conveyed through awards for every High Street bank, except Barclays: one brother welcomes us to the Lloyd's Bank Festival of avant-garde film while the other alludes to the Midland Bank Film Festival and informs us that the Brittonions' *Experiment in Contraposition* - the highlight of the evening - has been specially commissioned by Nat West. Such inaccuracy over-omniscience is entirely in keeping with the brothers' giddy hyperactivity.

While their bumbling incoherence and insubstantial appearance set the Brittonions apart from such celebrated sibling partnerships as the Tav and "brothers", they also heighten their shambolic charms and rather dubious principles.

A lunacy of thoughts is also at the heart of Ken Campbell's *Theatre Stories*. Campbell, a bushy-browed, madcap raconteur, comes armed with a rich store of tales and anecdotes, all relating to his career in the theatre - as actor, director, writer, comedian and observer over the last 30 years.

Campbell has a restless intellect coupled with a sophisticated taste in practical jokes. Some careful artwork on official notepaper was all it took to turn the RSC into the Royal Dickens Company after a production of *Nicholas Nickleby*. The heroic circuitousness of stories such as the RSC hoax (with its batch of letters signed "love Trev" (Nunn)) is what makes listening to Campbell such a stimulating experience. Were it not for the philosophical inquiry with which Campbell subtly matter, *Theatre Stories* might well degenerate into a set of fables on actors and acting - although he occasionally veers too close to the luvvie-dome he seeks to satirise.

Mark Long in *The People's Show* *The Solo Experience* (a reworking of the group's 1992 production) suggests that art, like Einstein's Theory of Relativity is something that everyone's heard of but no-one understands. He then attempts to lead us from the first to the fourth dimension through a mix of jokes, poems, a dance or two and a script so bogged down by tortuous repetition that, unsurprisingly, both audience and performer lose interest in it.

In Ken Campbell's hands, *The Solo Experience* might be a more vivid piece of theatre.

But the show's personalised content readers it, like Campbell's work, non-transferable. Likewise, it's hard to imagine Campbell and Long playing the Brittonion Brothers. Such roles are not interchangeable because they are built upon peculiar and individual fusions of autobiography and imagination.

Ken Campbell's new show "Violin Time" opens at the Royal National Theatre in September. The Brittonion Brothers, as Forkbeard Fantasy, present "The Fall of the House of Usherettes" at the Lyric Theatre, Hammersmith, September 10-28.

INTERNATIONAL ARTS GUIDE

AMSTERDAM
CONCERT
Concertgebouw
Tel: 31-20-5730573
● Bournemouth Symphony Orchestra: with conductor Yakov Kreizberg and violinist Christian Tetzlaff perform works by Vivaldi, Mendelssohn and Tchaikovsky; 8.15pm; Jul 9
EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● A Hundred Photographs: exhibition showing a selection of works from the museum's photography collection, including works by Man Ray, Robert Frank, Ed van der Elsland, Nan Goldin and Nobuyoshi Araki; to Aug 18

BERLIN
EXHIBITION
Berlinerische Galerie - Merkin-Greppius-Bau
Tel: 49-30-254860
● 100 Zeichnungen - Ausgewählt aus der Graphischen Sammlung der Berlinerischen Galerie: exhibition of

100 drawings from the museum's collection, spanning the period from the end of the 19th century to the present; to Aug 4

BOSTON
EXHIBITION
Museum of Fine Arts
Tel: 1-617-257-9300
● Yousof Karsh: exhibition featuring approximately 120 photographs of Yousof Karsh who has portrayed many legendary figures of the twentieth century, including G.B. Shaw, Churchill, Kennedy, Einstein and Auden; from Jul 9 to Oct 20

COPENHAGEN
CONCERT
Tholl Concert Hall
Tel: 45-33 15 10 01
● Kobenhavns Ungdomssymfoniorkester: with conductor Morten Ryskind perform works by Vivaldi, Johannes Sebastian Bach and Dmitri Gorkov; Jul 10
EXHIBITION
Nationalmuseet - The National Museum
Tel: 45-33 33 44 11
● Sultan, Shah and Great Mughal: exhibition focusing on the religion, history and culture of the world of Islam; to Sep 29

and Respighi; 1.05pm; Jul 9

GHENT
CONCERT
De Vlaamse Opera
Tel: 32-9-2230681
● Koninklijk Filharmonisch Orkest van Vlaanderen: with conductor Gert Van Swaelen and baritone José van Dam perform works by Beethoven, Mozart, Wagner and Mahler; 8pm; Jul 9

GLASGOW
EXHIBITION
The Burrell Collection
Tel: 44-141-3311854
● The Hidden Heart: Tapestries by Lynne Curran: exhibition of approximately 30 tapestries by Lynne Curran, who exploits techniques of weaving based on the methods used 2,000 years ago in "Coptic" Egypt; to Oct 6

LEWES
OPERA
Glyndebourne Opera Festival
Tel: 44-1273-812321
● Eugene Onegin: by Tchaikovsky. Conducted by Gennadi Rozdolvitskiy and performed by The London Philharmonic. Soloists include Sarah Connolly, Ludmila Filatova, Wojciech Drabowicz and John Fryatt; 8.10pm; Jul 8, 13

LIVERPOOL
EXHIBITION
Tate Gallery Liverpool
Tel: 44-151-7083223
● Joan Miró - Printmaker 1933-63:

exhibition of etchings, dry-point engravings, lithographs and aquatints by Joan Miró, giving an overview of the artist's graphic work; to Aug 26

LONDON
CONCERT
Wigmore Hall
Tel: 44-171-9352141
● David Watkin, Howard Mooly and Lynne Dawson: the cellist, pianist and soprano perform works by Beethoven, Duparc and Pott; 7.30pm; Jul 9
EXHIBITION
Royal Academy of Arts
Tel: 44-171-4397438
● Roger de Grey - Painter: an exhibition of the work of Sir Roger de Grey, president of the Royal Academy, who died in February 1995. The exhibition includes paintings and a selection of drawings; from Jul 11 to Sep 22
MUSICAL
Prince Edward Theatre
Tel: 44-171-7348951
● Martin Guerre: by Alain Boublil, Herbert Kretzmer and Claude-Martin Schonberg. Directed by Declan Donnellan. The cast includes Iain Glen; Mon - Sat 7.45pm, Thu, Sat also 3pm; from Jul 10 (not Sun)

LOS ANGELES
EXHIBITION
MOCA at the Temporary Contemporary
Tel: 1-213-621-6222
● Hall of Mirrors: Art and Film since 1945: this exhibition focuses on the relationship between cinema and the visual arts from about 1945 to the present. The show tries to demonstrate how art has been under the spell of cinema, how film

has been under the influence of art and how the two have fused into new forms of artistic expression; to Jul 28

MUNICH
OPERA
Nationaltheater
Tel: 49-89-21851920
● Aida: by Verdi. Conducted by Roberto Abbado and performed by the Bayerische Staatsoper. Soloists include Gerhard Auer and Nina Terenzieta and Julia Varady; 7pm; Jul 9

NEW YORK
CONCERT
Avery Fisher Hall
Tel: 1-212-575-5030
● Tokyo String Quartet: with pianist Claude Frank and clarinetist Richard Stoltzman perform Mozart's String Quartet in C major, K485 (Dissonance), Piano Quartet in G minor, K478 and Clarinet Quintet in A major, K581; 8pm; Jul 11
EXHIBITION
Solomon R. Guggenheim Museum
Tel: 1-212-423-3600
● In/Sight: African Photographs 1940-Present: exhibition, including more than 130 works by 28 artists, exploring the achievements of photographers from Africa in the years that marked the emergence of independent African states; to Sep 29

● Coppélia: a choreography by Bart after Saint-Léon to music by Delibes, performed by the Ballet de l'Opéra National de Paris and the Orchestre de l'Opéra National de Paris; 7.30pm; Jul 10, 12

SAN FRANCISCO
EXHIBITION
SFMOMA - Museum of Modern Art
Tel: 1-415-357-4000
● Alfred Stieglitz at Lake George: this exhibition of approximately 100 works investigates the late work of the American photographer Alfred Stieglitz, with special attention to his elegiac images he produced at his family home in Lake George, New York; to Sep 22

TORONTO
MUSICAL
OKeefe Centre for the Performing Arts
Tel: 1-416-393-7474
● West Side Story: by Arthur Laurents, Leonard Bernstein and Stephen Sondheim. Directed and choreographed by Alan Johnson, based on Jerome Robbins' original direction and choreography. The cast includes Scott Carrolo, Marcy Harpell, Natascha Diaz, Jamie Guests and Vincent Zamora; Tue - Fri 8pm, Sat 2pm & 8pm, Sun 2pm & 7.30pm; from Jul 9 to Jul 14

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European Money Wheel
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Financial Times Business Tonight

COMMENT & ANALYSIS

Michael Prowse • America

Dethroning Adam

A libertarian history of economics argues that Adam Smith did more to pave the way for Marxism than free market principles

Members of the Adam Smith Institute of London should hang their heads in shame. Their patron saint was not the greatest free-market economist who ever lived. He did not invent economics as an academic discipline. He was a meddling interventionist who set back progress in economic theory by a century and paved the way for the horrors of Marxism.

I found these strong claims in what must be the most readable history of economic thought ever written - Murray Rothbard's delightful two-volume set published in 1995. Rothbard, who died last year, was a mainstay of the American libertarian right and one of the few US economists to write in the Austrian tradition of Ludwig von Mises and Friedrich Hayek. He finished his career as an economics professor at the University of Nevada and as academic adviser to the Mises Institute in Alabama.

Rothbard finds Smith's reputation as an exponent of free markets laughably overblown. He points out that Smith, in addition to supporting public works and state education, favoured bank regulation, a progressive income tax, rigid usury laws and numerous other interventions. In almost every respect, says Rothbard, his views marked a retreat from the stricter liberalism of near contemporaries such as the French economist Turgot.

Nobody who truly believed in personal liberty, he claims, would have chosen, as Smith did, to spend his final decade as a tax collector. Quoting a 1785 letter in which Smith boasts to fellow officials that Scottish customs revenues had quadrupled in the past seven or eight years, Rothbard comments: "Well happy day! This from an alleged champion of laissez faire!"

Turning to high theory, Rothbard describes Smith's conception of economic value as an "unmitigated disaster". At issue is an age-old question: what determines the value of goods and services?

The correct answer is our subjective valuations as consumers. A good is valuable only to the extent that people demonstrate a desire to purchase it rather than something else. If our tastes as consumers change even a good that is scarce will cease to command a high price. Such a theory of value ought to be intuitively obvious, after all what could confer value on inanimate objects but the decisions of valuing individuals?

Smith, however, concluded that value is ultimately determined not by the consumer but by objective costs of production. Something is expensive, in other words, not because people value it highly, but because it costs a lot to make. And in at least one passage, he argues that the fundamental cost of production is the quantity of labour "embodied" in a good.

"What is bought with money or with goods is purchased by labour, as much as what we acquire by the toil of our own body... They contain the value of a certain quantity of labour which we exchange for what is supposed at the time to contain the value of an equal quantity," Smith wrote.

With this "colossal blunder", argues Rothbard, Smith

unwittingly injected into economics the infamous "labour theory of value" that formed the theoretical underpinning of Marxism. If the value of goods is ultimately to be found in the labour expended in their production, Karl Marx was right to condemn capitalism for exploiting workers. He was simply pursuing the arguments of Smith and other "classical economists" to their logical conclusion.

If Marx had understood subjective utility theory - the notion that consumers confer value on goods and, therefore, exert ultimate control over the capitalist process - the course of history might have been different. The world might have been spared numerous, disastrous communist revolutions.

But can Smith be blamed for failing to understand a theory that was invented a century after his death? Yes, says Rothbard, because prior to the *Wealth of Nations*, economics was heading in generally the right direction. The first 400 pages of Rothbard's first volume are a discussion of economic theory prior to Smith - from Aristotle and the Spanish scholastics to Richard Cantillon, a brilliant 18th century theorist whom Rothbard describes as the true founding

father of modern economics.

Rothbard's controversial claim is that many of these writers grasped the importance of the consumer as a source of value, even if they failed fully to articulate utility theory. In his *Essai de 1755*, for example, Cantillon argues that prices depend on "the humours and fancies of men and on their consumption". In other words the costs that can be incurred in producing something depend on the price it will command rather than vice versa.

According to Rothbard, Cantillon also grasped the crucial role of the entrepreneur in capitalism (something glossed over by Smith and his English successors) and was far ahead of his time in monetary theory. Smith, he maintains, blotched out the achievements of his talented predecessors and "tragically shunted economics on to a false path".

Rothbard is too hard on Smith who by the (admittedly dismal) standards of 20th century economists genuinely did favour limited government and mostly free markets. Nor, as he admits, are his criticisms entirely original: economists Paul Douglas, Joseph Schumpeter and Emil Kauder have all levelled similar charges. But Rothbard's combative style is invariably stimulating and often illuminating. He avoids the trap that has ensnared so many historians - a reverence for the great masters so excessive as to dull their critical faculties. Nobody who reads Rothbard will see economic history in quite the same way again.

Sadly, he did not live to write the third volume of his history which would have covered the modern era. Having seen what Rothbard did to Smith, one wonders how he would have found adjectives sufficiently perjorative to describe the errors of Keynes and his followers.

Economic Thought Before Adam Smith and Classical Economics. Published by Edward Elgar, UK, 1995.



Adam Smith (left) laid the groundwork for Karl Marx



India stand on nuclear disarmament justified

From Mr A.P. Arya. Sir, Your editorial "Test Ban talks in trouble" (July 1) is unduly critical of India. Without arguing as to why India's insistence on acceptance of a timetable for total nuclear disarmament by five declared nuclear powers is "so unrealistic", you have labelled it as "obstinate". Is total nuclear disarmament not the ultimate goal or is it just a ruse to coerce other nations to bind themselves to remain non-nuclear while five nuclear nations would, as you subtly mentioned, indefinitely enjoy the global influence of their own nuclear arsenals? Who are they kidding? The time has come when India could be bullied to sign

on dotted lines. Everyone should realise that India has refrained from making nuclear weapons in spite of having a hostile nuclear power on its northern border and another threshold nuclear power existing on its southern border in its neighbourhood, even though it achieved a successful nuclear explosion 22 years ago. If it had wanted to, it could have become a sixth nuclear power a long time ago. India's stand all along has been very clear, unambiguous and justified.

A.P. Arya, 15 Chelmsford Gardens, Thurston Heath, Surrey CV7 4DH, UK

Smoking comparison has been given spurious logic

From Mr Jonathan Dawson. Sir, Your newspaper on Thursday (July 4) carried an advertisement from Philip Morris Europe which seeks to set "second-hand tobacco smoke" in perspective. Some other potentially cancer-inducing activities are identified and tabulated according to relative risks, with apparently good scientific or academic credentials supporting the analysis. The advertisement in effect proposes that, because a selected number of activities which are not under threat of legislation may have a higher potential mortality rate than the risk of contracting lung cancer from second-hand tobacco smoke, a campaign against second-hand tobacco smoke is unjustified.

The proposition is, of course, bogus. All the other activities selected by Philip Morris are voluntary: we eat biscuits, cook in fat, drink milk because we choose to do so. Equally, we can choose not to, and we can find satisfactory alternatives. The point about second-hand smoke is that it is involuntary. We are compelled to ingest it, often against our wishes and in circumstances over which we generally have little control.

There may well be good libertarian arguments in favour of eschewing limitations on a person's right to smoke.

There are also good arguments the other way which, I declare, I support. However, any debate is immediately damaged by spurious logic of the sort advanced by Philip Morris.

Jonathan Dawson, Mole Ridge, St Mary's Road, Leatherhead, Surrey KT22 8BY, UK

Bad move for competition

From Mr Peter Stevens. Sir, Stena Line has joined with P and O in urging the UK government to relax rules preventing co-operation between Channel ferry operators (Stena goes for rapid solution to profits gloom, July 3). Why? As a regular traveller across the Channel, and using which ever service is most convenient, I enjoy the benefits of the present competition

between three ferry operators and Eurotunnel. If Stena cannot compete, surely the answer is in its own hands - withdraw. If two of the present operators combine to fix prices and schedules, it can only be the customer who suffers.

Peter Stevens, Stena van Leeuwenstraat 30, 5622 SG, Eindhoven, The Netherlands

Not his to give

From Mr Adrian Day. Sir, You report that President Clinton is "to give parents mandatory time off" so they can attend to personal duties ("Clintons show their family strength", June 26). How generous of the president! It is very easy for politicians to

"give away" things that they do not own, and for which they do not have to pay.

Adrian Day, Investment analyst, 300 Beestgate Road, Suite 406, Annapolis, Maryland 21401, US

A better way for choosing leaders of international organisations

From Mr David Barton. Sir, Your editorial "US v Bontros" (July 4) reminded me of a passage in a booklet I wrote at the end of 1995 entitled *The United Nations Comes of Age*, sponsored by the Wyndham Place Trust.

With tongue not far from cheek under the heading "An International responsibility" I wrote:

"It is unacceptable that important and influential appointments to international organisations should be made in a haphazard way and often after an interminable delay

whilst national governments fight it out between them. The following recent examples of important posts illustrate the point, some to a much greater degree than others. The President of the European Commission, the Secretary General of the United Nations, the Head of the new World Trade Organisation, the Secretary-General of the OECD, the Secretary General of Nato. To emphasise a different point, why should the President of the World Bank be chosen by the American government?

"These are all posts that require a person of wide experience, or known ability, at home in the world of international diplomacy and with the requisite integrity and independence. One suggestion is that the World Court should select 'Three Wise Men', probably retired, to interview in confidence candidates of the highest calibre proposed by national governments and ensure that the most suitable are selected regardless of nationality, colour, creed or sex. No doubt there are other methods of obtaining the

desired result which, if achieved, would be a step forward in that the international community would be a fact and not a fiction. There must be a better way than the present one of finding the best person for the job."

David Barton, Leafers, Bosham Lane, Old Bosham, West Sussex, PO18 8EL, UK

Manchester's silver lining

The IRA bomb is being treated as an opportunity to redesign the city centre, says Richard Wolfe

In any ordinary city it would have been just another day's shopping. But in the centre of Manchester at the weekend, the crowds of bargain-hunters meant something more than the start of the summer sales. As the Arndale shopping centre opened its doors for the first time since the IRA bomb three weeks ago, Mancunians were repeating what has almost become the city's new motto: you can bomb the heart of the city, but you cannot bomb its soul.

The slogan has become a mark of Manchester's spirit since the bomb as traders struggle with temporary premises and shoppers watch the demolition teams. The 1,000lb blast devastated the city's central shopping streets and injured more than 200 people. Yet the talk today is of building a better city, not merely patching up the past.

That talk moved a step closer to reality last week when the government pledged £21m of regional aid funds to help rebuild the city centre. The sum may be small compared with the estimated £300m cost of the damage, but the city hopes it will act as a catalyst for a unique project to re-design not just the bombed streets but the whole central area.

Visiting the site for the second time since the blast, Mr Michael Heseltine, the deputy prime minister, forecast that "hundreds of millions" would pour into Manchester. The city has already launched an international architectural competition to encourage ideas.

The reconstruction will be led by a taskforce of public and private-sector figures, headed by Sir Alan Cookshaw, chairman of Amec, the Cheshire-based construction group which has been a partner for the city council in projects such as Manchester's "super-tram" network. "The government, the city and all the property owners have by and large agreed that instead of simply looking at each building, this is a one-off chance to take a radical look at the city," Sir Alan says. "We want to see if all this carnage might end up with something rather special."

One of the main tasks is to improve the city centre's transport links. The main shopping streets around the site are likely to remain closed for several weeks while surveyors establish the full extent of the damage. In that time, the task-



On the up: work begins on Manchester's shattered Arndale centre

force hopes to come up with ideas for re-directing traffic, extending the tram network, and creating more open space for shoppers.

However, the grand visions for the city cannot ease the immediate problems of those still struggling to cope with the aftermath of the bomb. Several hundred small traders remain locked out of their stalls and shops, as key buildings - including much of the Arndale Centre - are still too dangerous to enter. The delay in re-opening buildings is causing crippling debts for traders. Nobody knows how many small traders have already closed for good.

The Market Centre, which forms part of the Arndale complex, re-opened 10 days ago, but several fresh food and grocery traders were ruined as their stock rotted in the days which followed the blast. Others in the market have relied on savings to tide them over. Mr Mahendra Dhul, who runs Dhul Knitwear and Fashionwear, has applied for council funds to recover at least part of

the £6,000 losses he suffered during the two-week closure.

"Even now the business is not the same as it used to be," he says. "People are still not coming in. It is just the regulars, the people who live in the surrounding areas. Rock Stop, another small clothes retailer, is a typical family-run business with one small unit in the Arndale Centre and another in the nearby Coliseum shopping centre. Mrs Marlene Phillips, whose daughter owns the business, says: "The minute the bomb dropped it was as if someone had frozen everything at that moment. Everything is in the Arndale Centre - the cheque book, our stock. My daughter had two pieces of stale toast for lunch the other day because we have no income. Hopefully we will come out in a year's time saying it's wonderful that we weren't hurt. But what do you do until then?"

Some small traders have moved into alternative shops, and landlords such as Frogmore Investments, which owns the Corn Exchange, have

offered to release tenants from their contracts. Manchester council is providing temporary accommodation in areas of the city centre which it has wanted to regenerate for years, such as the rag trade district of the Northern Quarter.

For larger businesses, particularly in the service sector, the damage has been limited by the combined efforts of the business community.

The Chamber of Commerce linked with the Training and Enterprise Council and the city council to provide advice and co-ordinate help. A telephone helpline was inundated with calls for advice on dealing with banks and creditors. This was followed by a service to help re-locate homeless businesses in empty office space. Now smaller businesses are being offered help to draw up recovery business plans to cope with the losses caused by the bomb.

It is this teamwork which has given the city's political and business leaders the confidence to go ahead with the more radical plans to re-design the city centre. "One of the delightful things that has taken place is the lack of prevarication in the city," said Mr Richard Smith, executive director of Manchester Tec. "It could be something to do with this city, but people have got on with things in a very practical way. Now we want there to be a silver lining, to do something with Manchester that people always wanted to do before."

Part of that confidence comes from the city's economy, which has performed relatively strongly this year in line with the more radical plans to re-design the city centre. "One of the delightful things that has taken place is the lack of prevarication in the city," said Mr Richard Smith, executive director of Manchester Tec. "It could be something to do with this city, but people have got on with things in a very practical way. Now we want there to be a silver lining, to do something with Manchester that people always wanted to do before."

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دكتوراه في اللغة العربية

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday July 8 1996

Squalls over the Atlantic

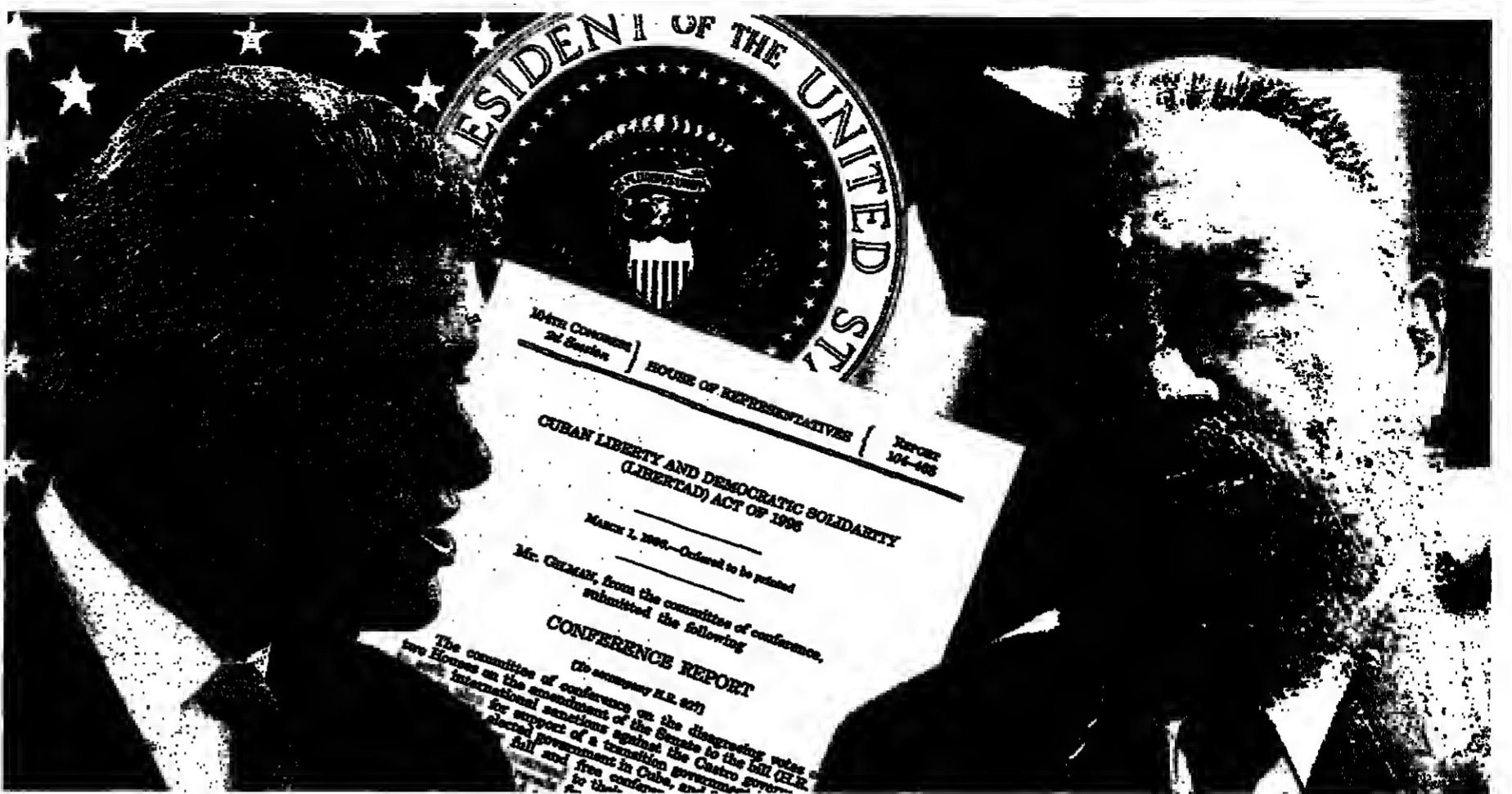
The European Commission's competition investigation into transatlantic airline alliances is a clear acknowledgment of the scale of change under way in the industry. However, it risks confusing aviation policy further, when fair and effective international competition demands greater clarity. That can be achieved only if authorities on both sides of the Atlantic re-think their approach.

Rates looking up

Sooner or later, US interest rates are heading upwards. Last week the Federal Reserve decided not to make it sooner, leaving interest rates unchanged at its monthly policy meeting. Speculation about a rise continued, however, unsettling markets on Friday, with the Dow Jones Industrial Average falling 114.88 points.

Birt's choice

After announcing a radical shake-up of its management structure last month, the BBC raised a whirlwind of protest, mainly against its plans to integrate the World Service more closely into the corporation.



The long arm of American law

US legislation aimed at punishing Fidel Castro has angered Washington's trading partners and left Mr Clinton with a dilemma, says Stephen Fidler

President Bill Clinton must in the coming week make a decision that will reverberate around the world. He has to decide whether to suspend part of a controversial law aimed at punishing the Cuban government of President Fidel Castro and at making life difficult for foreign companies doing business in Cuba.

plans were filed, in a narrow sense, it succeeded. The Federal Aviation Administration revoked the pilot's licence of the groovy leader, Mr José Basulto, and instructions to Miami air traffic control were changed to ensure it no longer turned a blind eye to the flights.

OBSERVER

Spicing up Apple

Gill's former IBM star work the transformation Apple Computer so desperately needs. Gill Hancock, newly appointed to the position of executive vice-president of research and development and chief technology officer, will have her work cut out.

Nelson's duty

On the strength of his state visit to Britain, no-one can say that South Africa's President Nelson Mandela doesn't seem his keep. For after he arrives in London late tonight and gets a few hours' rest, Mandela will scarcely have a chance to put his feet up until leaving on Saturday.

Forked tongues

Careless talk costs lives. That old British wartime slogan might have been applied to German companies in recent years, where disgruntled shareholders have watched share prices lurch about as a result of unguarded comments and loose tongues.

Grease is a musical

What pops into your mind when you think of Texas? Oil. Not if you're a Texas teenager. A new survey says that just 38 per cent of Texas teenagers know petrol is refined from crude oil.

Financial Times

100 years ago

Taxation Reform in France The Chamber of Deputies yesterday resumed the debate on the Direct Taxation Reform Bill. M. Méline, the Premier, said in defence of the Bill that an excessive burden of taxation was now borne by agriculture. It was time to restore an equality between real and personal property, to divert the flow of capital towards agriculture, and to check the emigration of the rural population towards large cities.

50 years ago

A Cigar War Jamaican tobacco growers are understandably becoming concerned about maintaining the British market for their cigars. And though a firm believer in imperial enterprise, I must take leave to disagree when they go so far in their patriotism as to claim that their products are equal to Cuba's best. Observer.

LEGAL DEFINITIONS
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LAWYERS FOR BUSINESS

FINANCIAL TIMES

Monday July 8 1996

NU-WAY MAKING WORLD OF DIFFERENCE
WOLSELEY

Insurance market likely to see big budget cuts

Lloyd's aims for reform once Names back plan

By Ralph Atkins in London

Lloyd's of London plans to launch a sweeping internal review by September. It will include substantial budget cuts and an overhaul of the insurance market's management, regulation and system of raising capital annually.

Many Names are expected to quit once the recovery plan is implemented, and a new "reinsurance" company, Equitas, would take over their outstanding liabilities.

Corporation, the market's central organisation. "We have to look ruthlessly at what we're doing, as quickly as we can, in order to get the market into a competitive position as we possibly can," Mr Rowland said.

Mandela may back plan to send troops to Burundi

By Roger Matthews in Johannesburg and Nicholas Wrong in Nairobi

President Nelson Mandela may back a plan to send African troops to Burundi when he addresses the Organisation of African Unity summit in Cameroon today before flying to London for a state visit.

Yeltsin honeymoon ends as media revert to critical role

By John Thornhill in Moscow

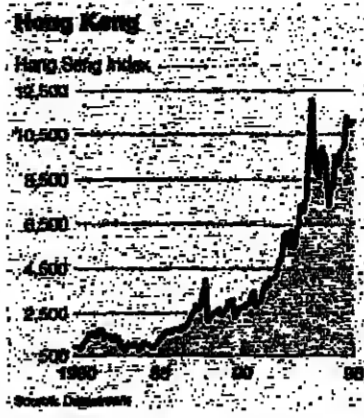
The political honeymoon that followed President Boris Yeltsin's resounding re-election was brought to an abrupt end at the weekend as Russia's media reverted to a more critical stance and fresh disturbances erupted in the breakaway Chechnya region.

International observers, who scrutinised last week's presidential elections, praised the fair manner in which the polls were conducted but criticised Russia's media for pandering to Mr Yeltsin and tarnishing rival candidates.

Some liberal politicians have also threatened to move into opposition. Last week, Mr Yegor Gaidar, the leader of the liberal Russia's Choice movement, said his continuing support for the president would be wholly dependent on what policies he pursued.

Hong Kong's handover

With less than a year to go before the changing of the national guard in Hong Kong, there has already been a dramatic realignment in the colony's business sector.



It would still be difficult to justify anything like the \$13.2bn price tag - \$4.2bn over Grand Met's current market capitalisation - being bandied around yesterday.

Hongkong Telecom is an obvious target, as a British controlled monopoly with a technological edge that would be highly prized in Beijing.

are some good reasons for this. Safety is paramount and well-trained pilots still make a difference in Africa one plane crashes for every 85,000 take-offs or landings - when pilots are in manual control - against one in every 1.1m in Europe.

UK banks

The recent spurt in the share prices of British banks suggests the sector may be returning to favour. And even after their recent rally, the stocks do not look expensive.

Guinness/Grand Met

Every business dreams of taking over its main competitor. But it should have been obvious, even before yesterday's deal, that Guinness was extremely unlikely to launch a hostile bid for Grand Metropolitan.

Airline pilots

How is it possible that one of the UK's biggest companies can be held to ransom by 6 per cent of its staff? In the dispute between British Airways and its pilots the answer might seem obvious - after all, the pilots can ground BA's planes at the drop of a joystick.

Independence Day blitzes box office records

Continued from Page 1

success of Independence Day is likely to fuel studios' ambitions to turn up the formula which transforms celluloid to gold.

Third Kind, which conjured the preposterous notion that alien visitors might be all heart beneath their ironclad exteriors.

More recently Los Angeles freeway traffic stalled as three helicopters patrolled the beaches calling banners. "No Warning", said the first, closely followed by "No Negotiation", and "No LA".

Advertisement for DASSAULT SYSTEMES. It features a world map and text: 'All of these Securities have been sold. This announcement appears as a matter of record only.' Below the map, it lists share offerings: '8,984,313 Ordinary Shares' and '3,593,725 Ordinary Shares'.

FT WEATHER GUIDE. Includes a weather map of Europe with pressure systems and fronts. Text: 'A depression will bring rain clouds and gusty winds to most parts of the Alps and some snow is possible above 2500 metres.' Below the map is a 'TODAY'S TEMPERATURES' table listing cities and their weather conditions. At the bottom is a Lufthansa logo and slogan: 'We can't change the weather. But we can always take you where you want to go.'

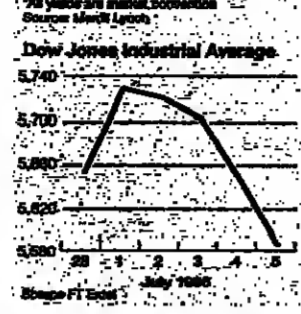
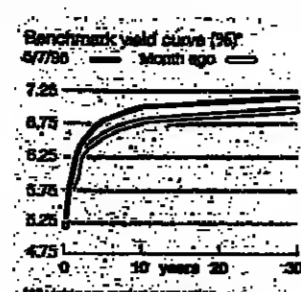
Advertisement for DASSAULT SYSTEMES. It features a world map and text: 'All of these Securities have been sold. This announcement appears as a matter of record only.' Below the map, it lists share offerings: '8,984,313 Ordinary Shares' and '3,593,725 Ordinary Shares'. It also lists the names of the financial institutions involved: MORGAN STANLEY & CO., J.P. MORGAN SECURITIES LTD., SOCIETE GENERALE, and WESSELS, ARNOLD & HENDERSON.

مكتبة الأصيل

MARKETS: This Week

NEW YORK By Richard Tomkins

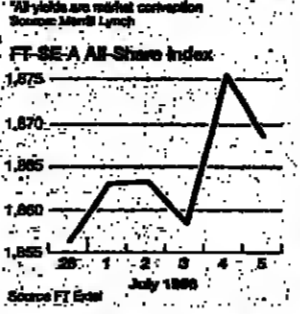
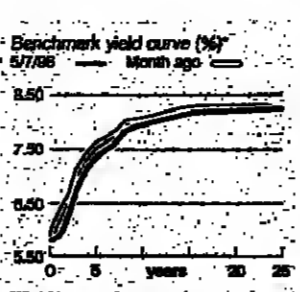
Most of America was on holiday at the end of last week, bridging the gap between the Independence Day holiday on Thursday and the weekend...



The trouble is that with few signs of accelerating price rises in the economic statistics so far, there is still no solid evidence of whether that prospect is real...

LONDON By Philip Coggan

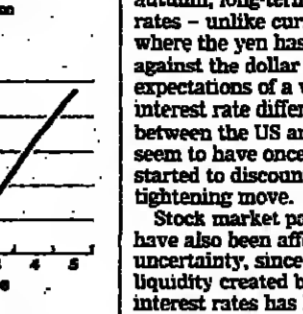
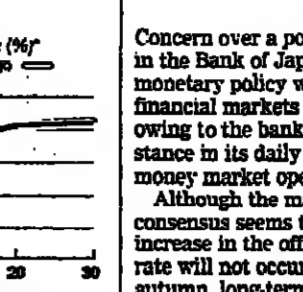
The Treasury will unveil its latest economic forecasts on Tuesday. It will be no surprise if Mr Kenneth Clarke, the chancellor of the exchequer, lowers his forecast for gross domestic product growth...



the last few weeks have seen some of the shine taken off the performance of smaller companies.

FRANKFURT By Wolfgang Münchau

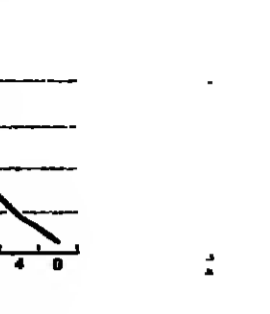
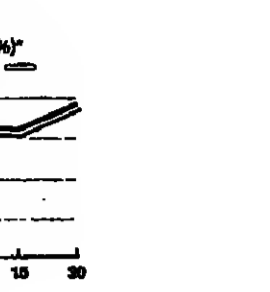
The sideways movement of the German stock and bond markets continued last week because of a lack of economic and corporate data...



as far as any reasonable forecasting horizon. The DAX share index briefly hit an all-time high last week, but its general direction has been static...

TOKYO By Emiko Terazono

Concern over a possible shift in the Bank of Japan's monetary policy weighed on financial markets last week owing to the bank's neutral stance in its daily short-term money market operations...



further fall in the yen could hit confidence. The current account balance for May is likely to show a steep decline, in line with the 80.5 per cent year-on-year fall in the customs-cleared trade surplus.

JOHANNESBURG

The so-called Precious Metals Commodity Exchange is the focus of attention on the Johannesburg markets this week, writes Mark Ashurst.

ZURICH

After the unexpected news in March of the plan by Sandoz and Ciba to link under the name of Novartis, and last week's announcement of the restructuring at CS Holding, investors can be forgiven for believing that anything is now possible in the traditionally straight-laced Zurich market.

HONG KONG

The US will continue to hold sway over the market, and investors will start the week by digesting the latest US employment data, released after the Hong Kong market closed on Friday, writes Louise Lucas.

Other

Nestlé planned to sell its 49 per cent stake in Gespar, which in turn owns 83.7 per cent of L'Oréal. It did not take long for some analysts to point out that the story did not make sense...

COMMODITIES By Richard Mooney

Coffee prices fell sharply on the London Commodity Exchange last week as fears eased that Brazil's crop, the world's largest, would be damaged by frost and with forecasts suggesting milder weather could continue well into this week...

Coffee frost fears may return

This week, however, sellers may be more cautious as the high season for Brazilian frost scares approaches. Weather Services Corporation, the private US forecasting group, said on Friday that no dangerously cold weather was likely in Brazil's coffee producing areas for the next three to five days...

Fed position gives dollar watchers cause for concern

Market surveys suggest that sentiment towards the dollar remains resolutely 'no bid' - was however, it is possible that last Friday's US payroll report has finally presented the market with something to worry about.

lexicon: the Fed being "behind the curve" - market jargon for acting too little, too late - was often cited as a key factor in the fall of the dollar to a record low during 1994-95.

In general, in the absence of any large policy events or key data, markets will continue to monitor the trends in the leading economies in order to predict where monetary policy is likely to change first.

will break above DM2.40 in the months ahead. In the short term, buoyant consumer spending is boosting the pound.

Longer-term, he believes it is supported by structural factors such as undervaluation; the UK's status as a net creditor country; and its more favourable mix of population and pension funding arrangements compared with other OECD countries.

FT GUIDE TO WORLD CURRENCIES

Table with columns for Country, Currency, and Exchange Rate. Includes entries for Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Denmark, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Pakistan, Philippines, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, UK, USA, and others.

ALUMAX Alumax Inc. Introduction to the London Stock Exchange of 44,914,950 shares of common stock of par value USD 0.01 each sponsored by SBC Warburg.

JAPAN AIRLINES COMPANY, LTD. Floating Rate Notes due April 1996. For the period 5th July 1996 to 7th October 1996.

New Zealand US\$ 1,000,000,000 Floating Rate Notes due 1999. In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from July 03, 1996 to October 03, 1996 the Notes will carry an interest rate of 5.4831% per annum.

MARKETS: This Week

EMERGING MARKETS By Edward Luce

Philippines back to winning form

The Philippines stock market is back to where it was in January 1994, when it won the distinction of being the fastest growing emerging market over the previous 12 months.

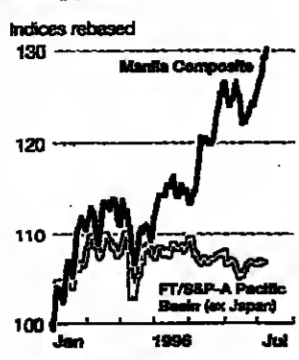
This time the story is not quite so dramatic. Other markets, notably in eastern Europe and Turkey, have grown faster than Manila this year, but the Philippines has convincingly shrugged off two long years of correction.

This week, the Manila composite index overtook its 1994 peak, closing on Friday at 3,374.40, up almost 30 per cent on the beginning of the year and hitting daily volumes of more than 4bn pesos (US\$150m). Compared with the 183 per cent growth posted in the stellar days of 1993, this year's upturn is almost tame.

Pessimists, including several foreign fund managers in Manila, say the market could even be nearing the end of its bull run.

On a price/earnings ratio of 23, Manila is more expensive than any other market in south-east Asia and still, despite almost four years of impressive recovery, a riskier

Philippines



Source: FT East

bet than most of its neighbours. On a wider scale, there are questions about how much longer the worldwide equities bull run will continue. When New York catches a cold, comparatively tiny bourses such as Manila (with a capitalisation of about US\$65bn) develop pneumonia.

"Some analysts are predicting that the PSE could hit 4,000 by the end of the year," said Mr Matthew Sutherland, chief researcher at Asia Equity Securities. "But then analysts would say that, wouldn't they?"

If US interest rates go up by much, the story could be much less rosy.

On a local scale, this scenario would seem unjust. With Philippine inflation likely to drop below double digits over the next two months, and GNP growth topping 6 per cent in the first quarter, the question marks prompted by last year's jitters over the economic recovery seem to be fading.

Another way of gauging the PSE's appeal is the fact that at 25 per cent its average growth in earnings per share in 1996 is still higher than the market's p/e ratio. In south-east Asia, only Thailand can boast a differential between its eps growth and p/e ratio.

International estimates that the Philippines will be the only economy in east Asia (apart from Japan) to see an acceleration of GNP growth over the next two years suggests that corporate profits will continue to grow rapidly.

"There are several things going in the PSE's favour," said Mr Pien Xuan Doe, a senior analyst at Deutsche Morgan Grenfell in Manila.

"First, corporate earnings are growing very fast and are set to accelerate further in 1997. Second, the Philippines continues, in our judgment, to be underweighted by international fund managers. A small increase in its weighting could make a big difference.

Shifts in overseas sentiment on Morgan Stanley's emerging markets Index, and an average of between 3 and 5 per cent of most dedicated Asian portfolios (excluding Japan), the PSE takes only a sliver of emerging market funds.

Roughly 75 per cent of turnover last week - peaking at more than 13bn shares on Wednesday - was accounted for by foreign buying. Minor shifts in overseas sentiment can, therefore, have a dramatic effect on the PSE.

When Philippine inflation jumped from 8.4 per cent to 11.8 per cent last September, foreign buying almost dried up, pushing the composite index down by about 30 per cent by November. Philippine brokers are hoping the reverse will apply as inflation continues to fall over the next few months.

INTERNATIONAL BONDS By Samer Iskandar

Spain and Italy gain from Emu expectations

Convergence was again the dominant theme in European bond markets last week, with bond yields in Italy and Spain again moving in towards German levels. By last Friday, the 10-year yield spreads of Italian and Spanish bonds over German bonds had narrowed to 277 and 228 basis points respectively, from 282 and 231 points one week earlier.

On April 1 they stood at 438 and 327 points respectively. The pressure of investment flows from international investors has been one of the factors behind the recent momentum. Flows from domestic institutions accounted for the reversal in the French-German 10-year yield spread and the narrowing of the 10-year Belgian spread over Germany, but international investors have favoured high yield markets.

According to a quarterly survey by Paribas, multi-currency fund managers increased the weight of bonds denominated in sterling, lire, ecu, pesetas and Swedish kronor between March and June, while reducing holdings of other international bonds in their portfolios. In addition, the convergence trend, particularly in Italy and Spain, has been driven by expectations that monetary and fiscal policies are moving in the right direction, thanks to political stability introduced by recent elections, which should allow them to participate in European monetary union.

for this year has been to judge which countries are likely to meet the criteria set out in the Maastricht Treaty and look for spread narrowing associated with the future removal of currency risk," economists at Yamaichi said recently.

Although most economists believe the convergence of Italian and Spanish bond markets, the star performers since the beginning of the year, has run most of its course, there appears to be a consensus that yield spreads over bonds still have room to tighten by another 25 to 30 basis points.

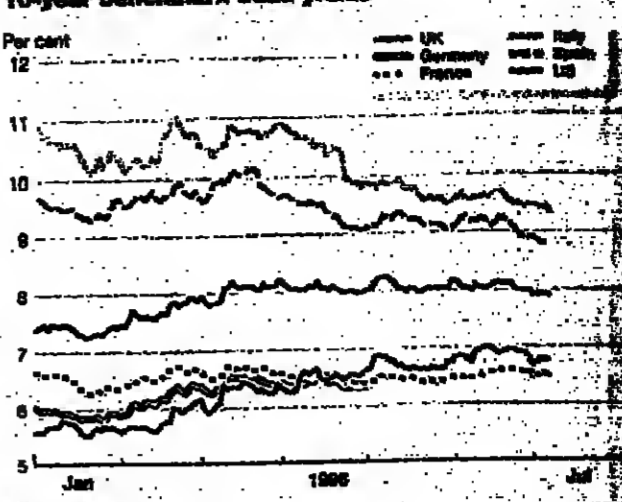
This view was reinforced by Friday's release of Italian inflation data showing consumer prices had risen by 3.9 per cent in June, just under the 4 per cent level considered to be the central bank's target for easing official interest rates.

While the market was surprised by the Bank of Italy's inaction on Friday, observers felt increasingly confident of monetary easing in the near future. The Bank of Italy "will not want to be held responsible for... plunging the economy into another near-term recession," said economists at Bear Stearns.

"An increasing number of investors believe there is no reason why the Bank of Italy cannot ease policy," bond analysts at UBS said on Friday.

Mr Nigel Richardson, head of bond research at Yamaichi in London, attributes the recent spread tightening to "simple economic convergence". He

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

Table with columns for Country (USA, Japan, Germany, France, Italy, UK) and rows for Discount, Overnight, Three month, One year, Five year, Ten year interest rates.

(1) France-Rate Risk (2) UK-Rate Risk (3) Source: Reuters

believes 10-year spreads over bonds of 200 and 250 basis points for Spain and Italy respectively would faithfully reflect the credit, currency and inflation risks associated with both countries, as well as a liquidity premium over the bund market.

However, he added: "Italy is currently on a knife-edge". Political instability will make the three-year fiscal plan difficult to pass in parliament, which could cause some market instability.

Interest rate expectations were only partly responsible for the Italian rally. Promises of an early re-entry into the Exchange Rate Mechanism were another favourable factor, as well as the belief that both Italy and Spain were

likely to participate in Emu from the outset. But the market needs new evidence of tangible economic progress before allowing further Italian yield convergence.

Yamaichi says the chance of Spanish and Italian participation in Emu in the first round (starting in 1999) are very slim, because both are "likely to overshoot the 3 per cent target" on the ratio of budget deficit to GDP.

However, although most investors are aware that the recently best-performing markets offer little scope for further substantial gains, they are unlikely to take profits before new promising sectors emerge. Thus banks and investment houses are on the look-out for the future winning trades.

"From a risk-reward perspective, Italian and Finnish bonds offer the best value", Mr Richardson said. The Irish gilt spread over bunds, at more than 80 basis points, could tighten to as little as 30 points in the next 12 months, says Yamaichi.

Given that Ireland is on course to meet the Maastricht criteria, the only risk is that it opt out of Emu for political reasons. Finnish bonds appear to have similar potential - the only remaining requirement for Finland to qualify for Emu is for it to join the ERM.

Telebras leads surge in sell-off stock

A rare burst of enthusiasm over Brazil's much-delayed privatisation programme has driven a surge on the country's stock markets. Telebras, the government-controlled telecommunications holding company, is leading the way, with strong support from electricity utilities.

The São Paulo Stock Exchange's Bovespa index rose more than 17 per cent in the three weeks to last Thursday, before reversing a little with the Dow on Friday, and Telebras's preferred shares climbed more than 23 per cent in the same period. The stock has long been the most liquid on the Bovespa; now, it regularly takes up to 70 per cent of spot volume.

Part of the impetus has come from a series of statements by Mr Sérgio Motta, the communications minister, suggesting that privatisation of telephone services could take place more quickly than expected.

He said concessions to operate cellular telephony could be sold by the end of this year, with conventional services following before 1998.

While many saw this as overly optimistic, the announcement underlined confidence that privatisation is now inevitable. Mr Motta's suggestion that tariffs could be increased before the end of the year was also welcomed.

Encouraging signs for the future have been underlined by Telebras's recent performance. After posting record first-quarter results, last week it said that profits in the first five months were R\$1.147bn (US\$1.42bn); profits for all of 1996 were R\$809.5m.

The enthusiasm for Telebras has spread to other "privatisation stocks". Electricity companies benefited from the São Paulo legislature's approval of proposals to sell the state's generation and distribution assets, worth a potential

Brazil



Source: FT East

R\$20bn, and more good news followed with confirmation that federally-controlled power stations will also be sold.

"Electricity stocks have been strong but they have probably already given all they can," said Mr Alberto Alves Sobrinho of Fair Corretora, a São Paulo brokerage. "Telecommunications stocks are the big

appeal, that's where the big profits will be. They still have room to rise in the medium to long term."

Analysts say that Telebras's profits could reach R\$3bn this year. At R\$76.25 per thousand, its preferred shares have already reached the level many earlier predicted for the end of 1996. Nomura Securities said last week that it expected the stock to reach R\$100 to R\$110 by the end of the year.

While the outlook remains positive, other analysts warn that investors will have to move out of Telebras at some point in the not too distant future.

If the communications ministry keeps its promises, Telebras's assets - its 27 operating companies - will soon be rebounded and sold off. By the time that happens, Telebras will be seen as a lot less attractive.

Jonathan Wheatley

COUNTDOWN TO 1997 EU BUDGETS

Table with columns for Country, Budget discussions, Announcement, and Budget enacted by. Lists countries like Germany, France, Netherlands, Belgium, Austria, Ireland, UK, Denmark, Finland, Sweden, Italy, Spain, Portugal.

* Internal government discussions ** Likely date Source: Yamaichi

CHIA HSIN CEMENT CORPORATION Global Depository Receipt Issued by Morgan Guaranty Trust Company of New York. Public Announcement of Issuing New Shares.

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NEW INTERNATIONAL BOND ISSUES. Table listing various bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch spread, Book name.

The Government of the Republic of Togo has selected Banque Paribas, in consortium with Deloitte Touche Tohmatsu as financial adviser for the sale of 40% of the capital of Office Togolais des Phosphates.

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FINANCIAL TIMES SURVEY

Monday July 8 1996

WORLD COAL INDUSTRY

The stuff we still need to burn

Coal is the biggest commodity traded by sea, while the Asian market is now setting the pace in the growth of international trade, writes Gerard McCloskey

For many outsiders, the vitality and growth of the international coal industry are extraordinary. Coal is a commodity for which demand appears to rise inexorably each year. It is now by far the largest bulk commodity traded by sea, well exceeding the former dominant bulk cargoes of grain and iron ore.

Although the future of the coking coal trade appears to be fairly static, that for steam coal is a vista of sustained growth as far ahead as any forecasters can see. A dot on the commodities landscape two decades ago (just 18m tonnes was traded in 1973, the year of the first oil shock), last year 245m tonnes were shipped. The figure looks likely to hit 320m tonnes by 2000 and could rise by 180m tonnes in the first decade of the next century.

The business is increasingly attracting the attention of

large multinationals seeking to develop coal reserves, particularly in South America, Indonesia and Australia.

What continues to attract the attention of this relatively small group - dominated by Peabody, Amcoal, Shell, Cyprus Amal, Ingeve, RTZ and BHP - is a combination of a growing market along with the skills these companies have assembled in surviving the very low prices the coal markets saw in the late 1980s and early 1990s. These bleak years saw the departure of a great rush of many companies which had flocked to coal in the late 1970s and early 1980s, seduced by their belief in very high returns.

Many of the companies which dashed out of the industry almost as recklessly as they dashed in were the oil majors - Occidental, Agip and, despite a portfolio of high quality coal properties around the world, BP. Those that have remained, most notably Exxon, Shell and Arco, have learned that to achieve success it is a matter of small profit margins being made on high tonnages that wins the prize.

Few have the illusion that prices will make a strong recovery after the rise in contract settlements of the last two years. As much emphasis is placed upon cutting costs through productivity gains as hammering out price rises.

This has been much easier to achieve in the new industries of South America and Indonesia than, with a few notable exceptions, in Australia.

In most countries, coal is seen merely as a commodity to be extracted and marketed or as an energy source. This was not always the case and for many countries coal was as much an industrial relations and employment headache as it was an energy asset. Among the big coal exporting nations, in Australia alone, notably with the defeat of the Labour government, industrial relations issues are to the fore both in the mines and on the waterfront in the coal ports. And it is Australia which not only dominates the market for both coking and steam coals but will increasingly do so over the next decade and a half.

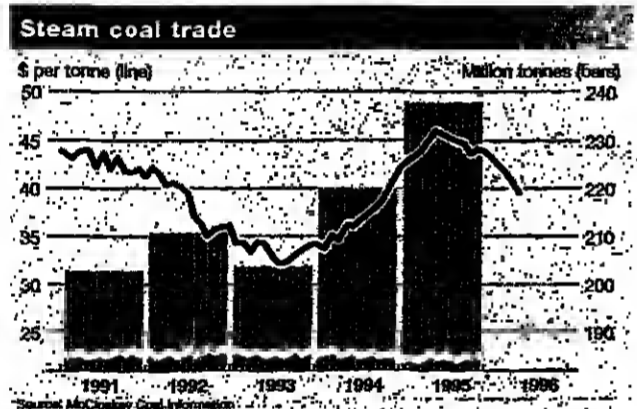
In some of the old coal mining industries of Europe, too, employment and industrial relations issues still dominate decision-making. In Spain, Poland and Russia, concerns over the ability of local economies to absorb full industry rationalisation have dampened pressure on mine closures and redundancies. The Spanish government, where employment levels are well in excess of 20 per cent nationally, has agreed a programme with the EU Commission to wind down subsidies and close the bulk of production.

In Poland a restructuring programme will see little reduction in output - Mr Jerzy Markowski, the mining minister, proposes that 80,000 jobs are removed from the industry over the next five years and output reduced by 15m tonnes to 120m tonnes. As a means of maximising productivity to give Poland a low-priced fuel, this hardly scratches the surface. But, as a means of softening the impact of rationalisation on the Silesian-based industry, it is



Asforby mine, near Melton Mowbray in Leicestershire: huge reserves of low sulphur coal

(See City must mine deeper, page 11)



Australia by Bruce Jacques

High turnover, low returns

Producers of good quality coal will benefit from the new premium pricing system

Outwardly, Australia's coal industry has all the swag of an international high achiever. Customers and competitors can marvel at the world's biggest coal export machine, accounting for about a third of the world's traded market with annual shipments running at about 140m tonnes, worth almost US\$7bn this year.

But these impressive international numbers have failed to produce commensurate investment returns. "Profitless prosperity" has become a favourite phrase of industry lobbyists pleading their case to governments, mineworkers and environmentalists.

They have a point. A combination of high labour costs, government imposts and falling real export prices have ensured that the industry's investors receive only a fraction of its gross earnings. The most recent survey - based on the state of New South Wales which accounts for about half the nation's coal exports - indicated that shareholders received earnings of A\$1.46 for each tonne of coal produced in 1994-95, representing a miserly return of just 0.14 per cent on invested funds.

That compared with government revenue of A\$12.43 a tonne and labour costs totalling A\$10.39 a tonne. Even weighting these numbers for the company-sponsored nature of the survey, they suggest an enterprise based on functions that are more social than profit-oriented. In this sense, the industry is a prisoner of its unique history: coal was the first recorded export of a shabby new Australian colony nearly 200 years ago.

A kind of resources jingoism sees the industry's marketing performance as a national virility test. This was epitomised in 1994 when mineworkers staged lengthy

strikes, not over their pay and conditions, but in protest at export price cuts accepted by leading coking coal producers in annual contract negotiations with their biggest customers, the Japanese steel mills. As a result, the Australian government was forced to set up an inquiry into the industry's performance.

With all this strife, it is a valid question why local companies, along with some of the world's major commodities houses, continue to invest in the industry. The short answer is they are drawn by some of the world's best coal reserves, much of them exploitable by open-cast methods, located close to ports with favourable freight rates to the world's fastest growing coal markets in Asia.

This combination of natural advantages, with some careful stroking by customers, has led many mine owners to be more conscious of tonnage than profits. Marketing strategy has tended to involve bidding low enough to win and hold markets against competitors, then trying to produce the required tonnage while bidding down costs to profitable levels.

Nevertheless, the industry has for years told customers that prices are too low to justify sufficient investment to satisfy future demand. However, the surfeit of supply looks like continuing.

The Australian government's commodities forecasting arm, Abare, estimates that about 24m tonnes of new coal capacity is set to come on stream in the next 18 months. More difficult geological conditions will make much of this new capacity expensive by past standards, while turnaround times for ships have doubled at the port of Newcastle in New South Wales in recent months and queues of more than 20 ships have not been uncommon.

This new capacity, with an emphasis on soft coking and thermal coal types, has been encouraged by a turnaround in contract pricing in 1995 after nearly half a decade of cuts. While real prices have

fallen inexorably over the past two decades, short-term returns for Australian coal have been improved overall by the past two contract rounds. The 1995 round saw benchmark price increases of more than 8 per cent for coking coal and around 17 per cent for thermal coal.

Although 1996 prices were more mixed, the deals struck then have done considerably more to shape the future of the industry. They marked the first significant change to the price-setting function since the industry's emergence in the 1960s.

The influential Japanese steel mills, for the first time moved away from a system which in effect averaged coal prices, with minor adjustments for quality, to a regime that pays premium prices for high quality coals (up to US\$64.50 a tonne), with commensurate discounts for lower qualities (around US\$41 a tonne for semi-soft).

While this system will benefit high quality producers, it is unlikely to raise the industry's average coking coal prices. The pricing outlook for thermal coal is similarly subdued, but for slightly different reasons. Japan's electric utilities agreed to roll over benchmark pricing at US\$40.30 a tonne in the 1996 round. But they have in effect cut prices by insisting on tonnage options (usually between 10 and 20 per cent of base contract tonnage) at discounted prices. They have also begun sourcing more coal from spot markets. A recent tender from Tohoku Electric was ominous, winning tonnage at better than US\$6 off the benchmark price.

This strategy is expected to reduce average thermal coal prices by around US\$1.20 a tonne this year, a salient figure for the Australian industry because the bulk of growth in future demand will be in thermal coal. Most forecasts are for static world coking coal demand well beyond 2000. But extensive development of coal-fired power stations in the Asian region ensures continued growth in thermal coal demand.

According to Abare, total saleable Australian coal production will grow almost 4 per cent in 1996-97 to 206m tonnes, with exports rising by 8 per cent to almost 160m tonnes. Almost all this export increase is forecast to come from thermal coal, up from 63m to 73m tonnes, with coking exports little better than static at 77m tonnes.

Apart from infrastructure, which is beginning to develop some bottlenecks, the major threat to this scenario is a difficult industrial relations climate. Skirmishes so far have mainly involved operations run by the Anglo-Australian RTZ-CRA group, which is attempting to impose individual work contracts instead of the prevailing union award system.

The other main worry for the industry is the strength of the Australian currency, which has appreciated by more than 10 per cent against the US dollar since 1996-97 contract prices were agreed. If maintained over a full contract year, this could render around half the industry's export production unprofitable. The result will likely be a fresh spate of corporate activity and rationalisation.

likely to prove acceptable to the mining unions.

However, by far the most expensive and enduring safety net is that woven by the German government to support its deeply loss-making industry. Each year some \$7.5bn is spent to sustain 53m tonnes of annual production. In coal industry terms this immense sum could easily buy the whole of Australia's coal exporting industry - mines, railroads and ports; and do so every year.

Until now, with little EU trade in coal, such a subsidy has irritated Brussels but not been anti-competitive. Two events may challenge this placid situation: in 1996 UK demand for coal is likely to slump with the ending of the old British Coal five-year contracts to the power generators.

This will face RJB Mining with a choice of being forced to close mines or of finding new markets - and the subsidised German market is there for the picking. Two years later

Poland hopes to join the EU with a vast and potentially profitable reserve of both coking and steam coal lying just over the border from Germany.

A few years ago many exporters felt that the decline of production in the old European industries would provide a solid foundation for their business, low-sulphur, low-cost coal from South African and Colombia displacing high sulphur, high-priced British, German and Spanish coals.

For a variety of reasons - probably most importantly the availability of large volumes of cheap gas - this has not happened and it will not happen to anything like the extent that the exporters had hoped. But if the European market has proved a disappointment, growth in Asian demand has been astonishing.

Largely driven by the construction of modern, efficient, environmentally advanced power stations in Japan, South Korea and Taiwan, the Asian market has

expanded at a pace which the producers have barely been able to match.

Taiwan Power Corporation is now the world's largest importer of steam coal taking 18m tonnes this year, easily more than the consumption of Europe's two biggest importers, Italy's ENEL and GKE of the Netherlands.

Korean Electric is not far behind Taipower and the combined might of the nine regional Japanese power companies and the government-owned Electric Power Development Corporation account for the bulk of Japan's 50m tonnes of annual steam coal imports. In the electric sector, this is expected to rise by 32m tonnes to the end of the century.

As the Asian Tigers lead, so the rest of the region is following. In India and China imports supplement the efforts of expanding output by the state-owned coal producers to try to keep pace with booming demand for electricity. In China, the Philippines and Malaysia power plant

decades that proves so irresistible to these power companies.

Coal is available from a very large number of suppliers competing among themselves with exports available from 10 countries. No cartel exists or is threatened. No paper market or futures markets gives false instability to coal pricing. Coal is a plentiful and cheap fuel and productivity gains reaped by the producers seem to have a way of falling to the buyers' benefit in lower prices, rather than the coal producers' gain in higher profitability.

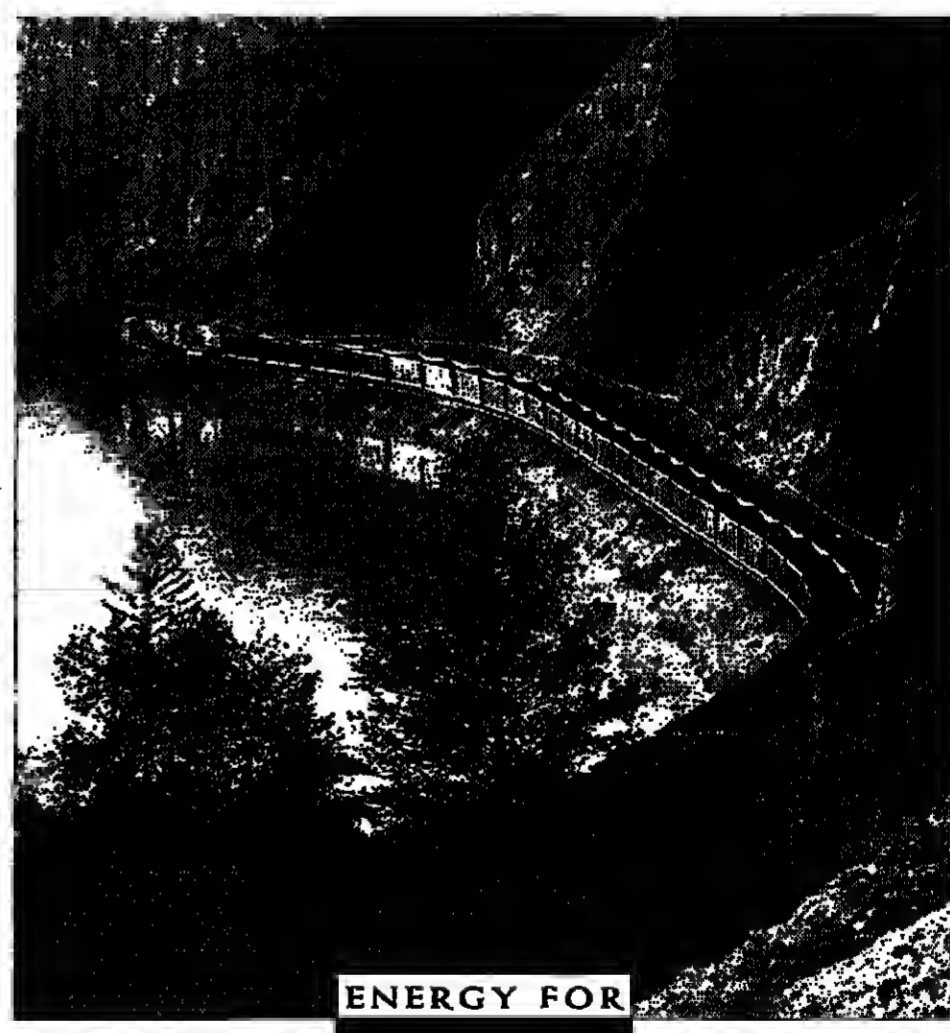
In the past two years, the divergence of the European markets' needs from those of Asia has in effect created two markets. Spot purchases are virtually non-existent in Asia with only Taipower making regular incursions with frequent spot tenders; in Europe almost all the power buy spot, some of them (National Power, for example) only spot; in Asia only low sulphur coal is purchased while, outside Italy and Spain, high sulphur US coals are a regular part of buyers' purchases.

Unfortunately for the exporting producers, the Asian buyers want suppliers to match the low price levels that the Europeans achieve, despite the fact that price security is much more important in Asia and despite the fine balance in Asian demand and supply.

Over the next few years these pressures will become more intense. Very large volumes - possibly 45m-50m tonnes - of additional Colombian and Venezuelan coal are likely to come onto the market from big new export projects, all with a natural market in Europe. In addition, more US mid- and high-sulphur coals will become available to the Europeans, as will increased South African production.

Of these, only the South African tonnage can as easily reach the Asian buyers.

Somehow, the coal exporters have to find a way of translating the prospect of ever-increasing world demand for their product into a degree of prosperity. It has not been a trick that they have performed, however, for more than a few of the past 20 years.



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Hunter Valley No 1 coal mine

Paul Farrow

II WORLD COAL INDUSTRY

UK coal: by David Price

City must mine deeper

Only 18 months since privatisation, industry and City still need to learn about each other

After almost 50 years of stability, the UK coal industry is undergoing enormous change.

The City needs to learn a great deal more than it currently knows about the economics of mining and selling coal.

The six PLCs are Consolidated Coal, NSM, RJB Mining, Rackwood Mineral Holdings, Waverley Mining Finance and, in administration, Coal Investments.

venture capital to get themselves going. These are British Fuels, Celtic Energy, Coal Products and Mining Scotland.

The latest arrival via the venture capitalist's beneficence is Midlands Mining, which has bought two of the Coal Investments pits.

From nationalisation in the late 1940s the City ignored the coal sector which, only four years ago, had just one publicly quoted company, NSM.

from a float price of 320p to a market valuation not far short of £1bn.

RJB's success contrasts starkly with the disastrous chain of events that has overtaken Coal Investments, which is now in administration and being broken up.

RJB is being forced into the position of swing supplier

Its failure to secure a British Coal mining region saw the beginning of a long decline, with money lost on failed mining equipment at Markham Main colliery and expensive changes to mine plans undertaken at Hem Heath.

price began to slide. The company went into administration in early February and is now being broken up.

The huge difference in fortune experienced by investors in RJB and CI shares demonstrates that the City still has much to learn about coal. Mining and selling the product is an expensive business, which makes big demands on capital and has high maintenance costs.

RJB is cushioned from mining problems by the size of its portfolio. With 19 pits, the company can make up shortfalls at one colliery by increasing output elsewhere.

Who's who in UK coal mining table with columns: Company, Operation, Tonnage. Includes RJB Mining, Scottish Coal, Celtic Energy, etc.

tonnes, boosting RJB's results in the process. However, its long-term contracts, which were brokered by the government in 1993, will last only until March 31 1998.

Prospects after privatisation: by Martin Daniel

Principle of private power

How the sell-off of coal-fired power generation will have an impact on financing

Coal accounts for two out of every five units of electricity generated in the world today.

Conversely, power privatisation will have a fundamental impact on the ownership and purchasing practices of coal-using facilities in the power sector.

The speed and extent of this spread should not be underestimated. Over the past five years the privatisation process has snowballed, with countries

in virtually every corner of the world embracing the principle of private power.

Power privatisation embraces two distinct elements - the sale of existing electricity assets and the construction of new (or greenfield) facilities.

These include the fiercely contested competition to win the 1,450 megawatt (MW) brown coal-fired plant at Yallourn in the Australian state of Victoria.

Also sold recently was the 614MW Tocopiella plant in Chile, which went to a consortium including Belgium's Powerfin and Spain's Iberdrola.

a substantial impact on the way that the operation procures its coal, and even on its continued use of coal as against other fuels.

As a result of the latter concern, many of the first financed coal projects were developed by Consolidated Electric Power Asia.

However, governments are increasingly demanding that the fuel purchase risk should be taken by the plant developer. Should lack of fuel mean that the plant does not produce power then the plant, and its lenders, will not get paid.

This point is particularly important given that some 60 per cent of the lifetime cost of a typical coal-fired project relates to the fuel supply.

in terms of its sourcing and transportation.

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However, governments are increasingly demanding that the fuel purchase risk should be taken by the plant developer.

This point is particularly important given that some 60 per cent of the lifetime cost of a typical coal-fired project relates to the fuel supply.

It is likely that both the overall total and the share of coal will grow in future years as the parties to the transactions become more comfortable with the deals.

Financing apart, one of the most striking things about the private power schemes financed is their location. Almost 80 per cent of the total private capacity financed in 1995 was in Asia.

In South Korea, 1,000MW of coal-fired capacity is being solicited for award in July 1996, with Posco regarded as front runner to secure at least one of the two 500MW plants being offered.

In Pakistan, Consolidated Electric Power Asia's 3,960MW Ketil Bandar project has broken ground, while in India around 56,000MW of coal-fired capacity is queuing up for development.

OKD. a.s. Is Not Only Coal

The Czech Top 100 Ladder rates OKD. a.s. as the fifth largest company ranked by turnover. In 1995 it amounted to 22,225 billion CZK (US\$ 800 million), though the profit after tax was 75 million CZK (US\$ 2.8 million).

OKD. a.s. is the biggest producer of quality black coal suitable both for coke production and energy purposes. The four group mines of the company have an annual output of about 13 million tons of coal.

The company is undergoing a complex restructuring due to the decline of coal mining. After five years of re-structuring the industrial Ostrava-Karvina region, the only mines left active were in Karvina. In Ostrava, the biggest city in North Moravia, all mines were closed.

The economic consolidation of the company has been accompanied with an impressive growth of productivity. In the period from 1990 to 2005 it should increase by a total of 128%. The mining technology has also been brought up-to-date.

Due to the general decline of European coal mining, the management of OKD. a.s. actively boosts its non-mining activities with the expectation that these will represent 50% of the company's scope of activities by the year 2000.

OKD. a.s. has been developing a number of new projects. The company owns extensive amounts of lands suitable for various entrepreneurial uses. We are currently involved in a project of large-capacity stores in the region of Karvina.

OKD. a.s. has a significant role in the development of the region and represents an attractive business opportunity.

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Coal producers are being asked to shoulder a new risk

years. Moreover, these contracts can involve substantial volumes. Having too many suppliers for a plant is impracticable, given that the cost of assessing the viability of each coal producer is substantial.

That is the upside for coal producers. The downside is that governments are increasingly asking for dispatchability - in other words calling on the plant to supply power when they require it rather than guaranteeing take-or-pay terms for the power.

Such concerns have nevertheless failed to dampen the enthusiasm of both coal and power producers for private power schemes. However, the preference for project financing in what is still a new and evolving area has meant that the number of funded projects has grown relatively slowly.

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مكتبات الأمل

■ Upgraded coals by Guy Doyle

New options can cut costs

Cleaning - removing dirt or water - can improve the quality of the product

The last decade has seen considerable advances in coal preparation technologies, but the proportion of the world's production that benefits from modern coal upgrading is less than a decade and half ago. This reflects the huge expansion in output in China and India, where coal washing capacity has lagged behind raw production. In both countries there is considerable potential for improving quality that promises both commercial and environmental gain.

But the potential for advanced coal preparation is much wider. Novel processes, now being developed, promise to bring new ultra-clean coals into the market, while thermal upgrading could allow some clean low calorific (high moisture) coals to enter the international market.

The primary rationale for coal preparation, like any upgrading process, is to add value to the product, improving quality - by removing dirt and inerts (including water) - can bring benefits to suppliers in terms of higher prices. If customers demand cleaner coals, there is an imperative to upgrade or risk losing markets. Enhanced preparation need not raise producers' costs or cut saleable product yields; in many cases new processes can

reduce discard rates and cut overall preparation costs.

Coal preparation is almost entirely based on physical processes which separate coal from dirt on the basis of differences in either materials' specific gravity or surface properties. Novel physical cleaning concepts (eg using ultrasonics) as well as chemical and biological cleaning are being explored, but look far from being commercially viable.

Despite headline-grabbing breakthroughs, coal preparation techniques have been transformed through a series of incremental advances since the early 1980s. Design innovations have led to smaller, more efficient equipment that can be factory fabricated, wear-resistant and low friction materials have cut maintenance costs and improved plant availability. Modern materials, such as moulded plastics and ceramic coatings, have slashed new equipment costs; computer evaluation, monitoring and control have improved efficiency.

These advances have meant that new upgrading circuits can be added to existing coal washeries while much of the new equipment can be transported elsewhere once a coal deposit has been worked out. Payback periods on some equipment can be less than a year.

All this is very different from the picture of major capital projects with long lead times developed by British Coal, among others, in the early 1980s.

These advances have reduced costs and improved saleable product yields. This has been especially the case in Australia and the US. British producers have lagged in this respect, largely because British Coal and the CEGB argued that washing only the larger size coal made economic sense.

Another benefit of more comprehensive cleaning has been an improvement in product quality. In some cases, particularly in the US, this has been a key driving force behind the development of advanced cleaning. The more enlightened electricity customers have for years sourced coal on the basis of minimising their total system costs. This means they do not simply buy the cheapest compliance coal that meets their boiler specification; they also factor in to their calculations associated downstream plant costs and the performance impacts of using particular coal qualities. Given the lower downstream costs related to lower ash sulphur coals, this has led many buyers to seek cleaner coals.

To date though, coal producers have not sought to push customers to very much cleaner coals. This may change as a number of novel coal upgrading processes, being developed under the auspices of the US Clean Coal Programme, promise to produce very clean coals.

One process being developed by Pittsburgh-based Custom Coal can remove a high proportion of the dirt and so produce a clean coal. The secret is to

crush the coal so that the dirt can be liberated. Custom Coal says that the clean coal can be further enhanced by adding milled limestone. When burned, the limestone reacts with the remaining sulphur in the coal to produce calcium carbonate, thus reducing sulphur dioxide emissions. The company, which has already patented the process, calls it self-cleaning coal.

Custom Coal believes that both its aggressively cleaned and self-cleaning coals will attract a premium in the market, which will yield the upgrade a healthy profit. A pilot plant in Laurel, Pennsylvania, started producing commercial volumes earlier this year. The company is now hoping to take its technology overseas, with China the most likely target.

Getting rid of dirt is not the only route to upgrading: coal drying - removing inert water - provides another aspect. Dewatering and, to a lesser extent, modest drying are already part of preparation processes. However, deep drying, by which surface and inherent (chemically bonded) moisture is removed, provides by far the biggest prize as it could potentially transform clean, low cost coals and lignites into marketable low moisture products.

Again, the US is the leading area with a number of processes being developed under the Clean Coal Programme. While these differ, all involve applying heat to evaporate water. The cost of energy at the drying location, which often means the cost of the feedstock itself, is crucial. The plant is also capital-intensive and in some cases produces a very different product to conventional coal.

Even so, if developers' estimates of costs are to be believed, these plants could yield a competitive upgraded product. Where the savings on transport costs are greater than the cost of upgrade, the benefit is clear. But even where upgrading does not result in a reduction in the cost per GJ to the buyer, it still may be worth it to the producer if the upgraded material can be sold into a market previously ruled out on grounds of heat value, moisture or handling problems.

Dr Guy Doyle is editor of Power UK

■ US coking coals by Jennifer Bennett

An industry's twilight years

Steelmakers no longer use as much of a product that is losing ground to steam coal

For more than a decade the US coking coal industry has been marked by consolidation of producing companies and the closure of unprofitable mines.

In many ways coking coal operations in the key producing area, Central Appalachia, reflect mining practices that are being phased out in the US coal industry as a whole. The coking mines are generally underground mines with low productivity rather than surface mines. Individual operations often produce well under 1m tonnes annually, run by small contractors rather than by the producing company itself.

The reason for these seemingly anachronistic conditions is that the coking coals are often found in thin, irregular seams not suitable for large-scale mining. Yet because these coals have physical characteristics that are valuable to steelmakers, there remains an incentive to continue mining them.

Yet US coking coal producers are aware that this incentive is diminishing. Technological developments in the steel industry have reduced the requirement for high quality coals with strong coking characteristics. Steelmakers have found ways to bleed lower quality coals in their coke ovens and to inject coals with no coking properties directly into their blast furnaces.

In addition, steelmakers are finding ways to use coals which are not necessarily poorer quality but simply different from traditional coals. These changes mean that US exporters have been able to shift their sourcing of coals in some cases to mines with lower costs, but it also means the US has lost its place to Canada and Australia in some of its customary markets.

For most US producers, the coking market is secondary to the domestic steam coal market. In any case, total US output has been running close to a billion tonnes annually, but total exports of coking coal account for well under a tenth of that - about 55m annual tonnes - and the domestic coking market an even tinier proportion - approximately 80m tonnes.

Because profit margins have been thin on the coking side,



The Dolet Hill colliery in Louisiana

Guy Doyle

coals are found almost exclusively in the thinnest, most irregular seams in the US. Because of the mining costs, the prices commanded by these coals are at the upper limits of acceptability for buyers, who have found ways of doing without them where possible. The mid-vol coals that are sold to steel mills located inland which do not have access to the extensive blending facilities found at many port locations. But only a handful of mid-vol mines still operate today and the industry will be virtually gone by the end of the decade.

US low-vols have undergone the most intensive concentration in the industry. The 12m tonnes of annual production in the classic low-vol reserve, the Pocahontas No 3 coalfield along the Virginia-West Virginia border, is now largely controlled by two producers, Consolidation Coal and US Steel Mining. The Pocahontas seam is the only consistently thick coking seam in Appalachia, mineable by longwall machines that cut a broad swathe through the coal face. Low-vol coals are not generally favoured for boiler use - the amount of "crossing over" will be much smaller than for high-vols - but the profit margins in the coking market have been better than for many other coals. Yet prices on the international market have not been so high as to encourage new investment.

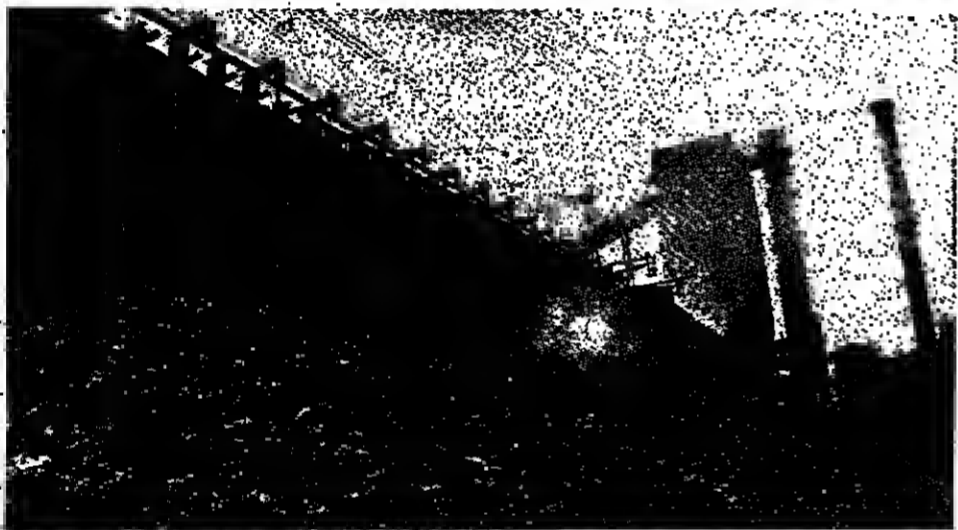
Consolidation Coal claims it will be forced to close two-thirds of its low-vol capacity by 2002 because of reserve depletion. In the Pacific Rim markets demand for US low-vol has virtually disappeared anyway: Australian and Canadian coal has replaced it. A likely scenario is that a scaled-down low-vol industry will continue operating beyond 2000, mainly for sale to European and Brazilian mills. These changes affecting high-, mid-, and low-vol coals could slice US export coking coal volumes by 50 per cent in the next five years.

In the US domestic coking market, the electric-arc based mini-mills are making rapid inroads on the markets of the coke-based integrated mills. The US coking industry, once the premier supplier to the international market and a healthy industry in its home market, is entering its twilight years.

Producers of mid-volatile and low-volatile coals will find themselves in a different situation. The mid-vol coking coals are prized by steel companies for their properties in the coke oven, but by chance these

Volatile coals, with a high proportion of gaseous matter

stantially on the international scene. These coals are highly volatile: they contain a relatively high proportion of gaseous matter. Because of the way they perform in boilers, high-vols are the coals generally favoured in the steam coal market. They are valued in the coking market for other reasons, though they are usually blended with coals containing less volatile matter before being used in the coke oven. Producers of mid-volatile and low-volatile coals will find themselves in a different situation. The mid-vol coking coals are prized by steel companies for their properties in the coke oven, but by chance these



The coal quenching plant at Durgapur, West Bengal, India has seen a huge expansion in output

Henry Adams

■ International coking markets by Jennifer Bennett

Clean air move to shut plants

In the past decade there have been important shifts in global demand and supply

Over the past 10 years, there have been important shifts in suppliers and markets for coking coal. Australia has become a dominant supplier, surpassing the US in overall volume and challenging the latter even in the European market. Among coking coal consumers, Japan has stagnated while other Asian countries have grown with remarkable speed. Pig iron production is an indicator of coking coal consumption, as coke is traditionally used as a smelting agent with iron ore in the blast furnace. The challenges confronting coking coal exporters are indicated by the levelling off of output in regions with mature steel industries, such as Europe, North America and Japan. On the other hand, Korea, Brazil and India are expanding iron and steel production, and China is experiencing rapid growth.

However, the implication for coking coal overall is negative, as the big coal importers are slowing down their production, while among those expanding output China is almost self-sufficient in coking coal and India needs 70-80 per cent of its own requirements.

With much resistance from the Japanese mills, the pattern of price-setting has changed to reflect the diversity of the global market. As recently as 1991, the Japanese benchmark price for coking coal set the tone for customers worldwide - in the rest of Asia, Brazil, and even Europe. But that system has fallen apart because of differences in market pressures facing suppliers of varying qualities, in exchange rates and in the financial circumstances of the customers.

The drive to reduce costs has led integrated mills to change the types of coals they use. The most obvious example is the growth of pulverised coal injection (PCI) in blast furnaces, which permits furnace operators to use coals without coking properties as a supplement to coke. Not only does this allow substitution of cheaper

coals as a portion of the blast furnace feed, but it cuts down on the need for coke with its high operational cost.

Coke oven operators are also using non-coking coals in increasing quantities in their blends. And within the coking blends, operators are searching for ways to use cheaper, more widely available coals. But the true challenge for coking coal, in the long run, is the movement away from the traditional integrated steel mill - consisting of coke plant, blast furnace and basic oxygen furnace - toward the steel plant centred on electric arc furnaces (EAF). This method of steelmaking cuts coke and iron out of the production sequence in favour of steel scrap for the furnace feedstock.

The capital investment for an EAF-based mill, also called a mini-mill, is typically \$200-500/annual tonne installed capacity, compared with \$1,000-1,500 for an integrated mill. Operating costs are lower because of greater productivity, although raw material costs for a traditional mill are less as they consist of coal and iron as opposed to the highly processed inputs of scrap and electricity used by a mini-mill. But the latter has environmental advantages as it bypasses the coke plant with its emissions of dust and potentially toxic chemicals such as benzene; the use of scrap is also an important form of recycling. It is the dependence on scrap

which has, in fact, led some observers to forecast a slow-down in the growth of electric steel, as severe scrap shortages have occurred in some regions. But that problem is being solved by the development of scrap substitutes, usually a form of direct reduced iron. The movement away from the integrated mill has been given added impetus by the ageing of coke capacity at many steel companies. Stringent environmental regulations have made it prohibitively expensive to build a new coke plant in most parts of the world, but the old plants cannot meet the emission standards.

The problem will become a critical one after 2000, particularly in the US and Japan. The US Clean Air Act imposes an emission standard for coke plants, coming into effect in 2001. It is prohibitively expensive to build a new coke plant in most parts of the world, but the old plants cannot meet the emission standards. The problem will become a critical one after 2000, particularly in the US and Japan. The US Clean Air Act imposes an emission standard for coke plants, coming into effect in 2001. It is prohibitively expensive to build a new coke plant in most parts of the world, but the old plants cannot meet the emission standards. One option for steel companies is to import their coke requirements, but the only expanding supply source is China. Coke from that source has been somewhat unpredictable in quality and timing of delivery. Steel companies are working to solve these problems in different ways, but most have the same result: either directly or indirectly, a reduced demand for coking coal.

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IV WORLD COAL INDUSTRY

The environment by Alec Toohy

Image needs clean-up

Coal used to harm the atmosphere. It no longer causes smog, but the public is still wary

The rapid growth in energy demand over the next 20 years in all parts of the world, but most of all in the developing countries of Asia, will undoubtedly lead to an expansion of the use of coal for power generation and hence of coal production. In some quarters this is a cause for concern, because the public image of the coal industry and of the effects of coal use still reflects the environmental damage caused by the industry in the 19th and early 20th centuries.

This image is based on the experience of Europe and North America, where chimney stacks pouring out black smoke were much in evidence until the 1950s. The problems often resulted in damage to the landscape and the environment but the industry has eliminated this almost everywhere.

Environmental impact statements are now conducted on a cradle-to-grave basis to meet the needs of shareholders, banks and government legislation. Reclamation and rehabilitation work is an integral part of mine development, beginning early in the production phase and often continuing after the mine is closed.

Coal companies work closely with local communities to ensure that mining has a minimal effect on their environment, not only in its visual effects but by the suppression of dust and noise. These objectives are achieved by careful coal preparation and handling and by precautions such as spraying of stockpiles.

When coal is transported by road or rail, measures such as covering road vehicles and control of the moisture content can help to prevent spillage or dust. These apply to delivery of coal from the mines to industrial users and/or export ports, to the handling and stockpiling of coal and the loading or discharge of coal ships in port. Ocean shipment of coal constitutes no environmental hazard.

In the rare event of a sinking of a coal ship the environmental damage is minimal, quite

unlike the serious pollution of the sea and shoreline from oil tanker disasters. In transportation and trade, coal is the safest and the most environment-friendly form of energy. Environmental concerns about coal now focus on its use, particularly for power generation, and its reputation as a polluting fuel through emissions of various gases and, until recently, of smoke and dust.

There is no doubt that the use of coal in open fires for household heating and in primitive industrial boilers was responsible for much of the grime in European and American cities in the past, and contributed to the infamous smog which increased the incidence of respiratory diseases. This use of coal has virtually disappeared in western Europe and North America and is declining

Noxious emissions are being eliminated

elsewhere in the world. The almost universal introduction of precipitators and filters means that power station chimneys no longer emit black smoke and dust which were the primary cause of pollution. Smog is now a thing of the past in London and other cities - except the kind which emanates from vehicle exhausts.

More recently, the principal public concern has been acid rain. This arises from gaseous emissions of sulphur dioxide and oxides of nitrogen (NOx). These gases react with water vapour in the atmosphere to form weak acids, which fall as acid rain and are believed to harm forests and lakes and to corrode stonework. Although much of this damage is now understood to have other causes, the use of lower sulphur coals, the application of flue gas desulphurisation, new combustion technologies and of low NOx burners have combined to reduce sulphur emissions by up to 95 per cent and NOx emissions by 60 per cent.

For new power stations several clean combustion technologies are being developed. Fluidised bed combustion and its variants and a number of dif-

ferent gasification and combined cycle systems ensure removal of 99 per cent of sulphur compounds and permit the reclamation of pure sulphur as a valuable industrial raw material.

In short, the emission of noxious substances from power stations and other coal-burning industrial plant is a problem which can now be solved and is well on the way to being eliminated.

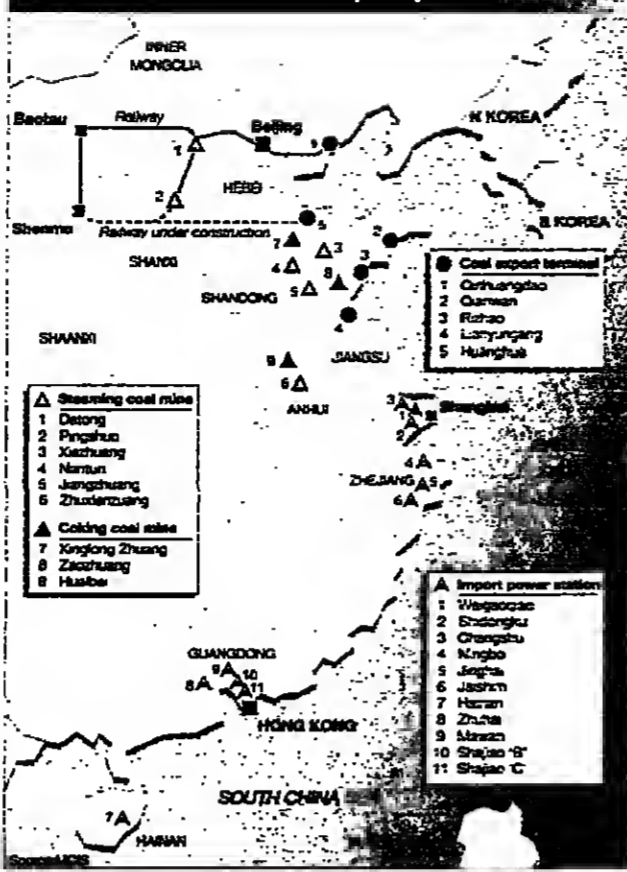
The last and most formidable obstacle to coal's environmental acceptance is the issue of global warming. It is not possible to burn any fossil fuel without emitting carbon dioxide, and coal, due to its intrinsic molecular structure, contains more carbon, and hence emits more CO₂ per unit of energy than oil or gas. The Intergovernmental Panel on Climate Change has stated that the growing use of fossil fuels is one of the principal causes of the enhanced greenhouse effect - an increase of the average temperature of the surface of the earth. The forecasts of rising temperatures are based principally on imperfect global climate models - accurate satellite measurements have shown no increase since they began in 1979, and temperatures recorded by weather balloons in the Arctic show no change over the past 40 years.

Many scientists are not convinced that any such increase is caused solely or even primarily by burning fossil fuels; however, the drift of political sentiment may lead to some restrictions or financial penalties on the future use of coal. The industry can respond to this pressure only by working with its customers to improve the efficiency of coal use - to use less coal and therefore emit less CO₂ per unit of electricity generated. This is a no regrets measure - even if it does not affect climate change, it will benefit coal and its customers by cutting the cost of electricity and helping to conserve coal reserves.

Coal's contribution to the world's future energy supplies is widely acknowledged; its false image as a polluting fuel must not hinder the industry's development to meet the challenge of the 21st century.

Dr Alec Toohy is chief executive of the World Coal Institute.

China's coal mines and import power



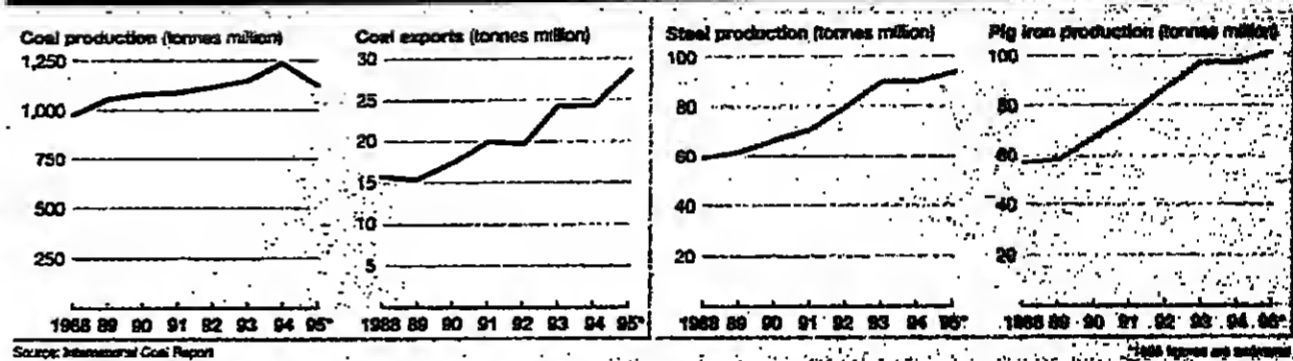
China: by Gerard McCloskey

Tonnes that are not enough

Demand at home leaves little for exports and there may soon be an importing bonanza

China is the last remaining great coal economy. Production is immense - more than 1.2bn tonnes last year - and expansion plans should increase that to at least 200m tonnes a year more by the end of the century. The additional output would equal the whole of Australia's coal industry. The country's coalmining workforce exceeds 5m. However, China's appetite for coal is gargantuan, which leaves precious little for export. Demand for coking coal has shot up in the wake of China's stunning growth in steel and pig iron production. Pig iron represents the overwhelmingly dominant market for coking coal and China's pig iron production rose by more than 50

China's production and exports



per cent to 102m tonnes in the five years to 1995, lifting China ahead of Japan to become the world's top pig iron producer.

In China's energy economy, coal accounts for 75 per cent of the total market, compared with just 2 per cent for gas. In the electricity sector, 1,000-1,500MW of coal burning capacity is to be added each month for the next five years, adding 250m tonnes to annual demand.

However impressive all these large numbers appear, showing soaring demand and vast production, they are more than matched by the immense difficulty of moving greater tonnages from the mines to customers all over the country. China's coal deposits are mainly in the north, focused on Shanxi province, which alone accounts for a quarter of the country's output. The route from Datong in the heart of Shanxi's coalfields to the rest of the market involves a massive coal movement along the rail link to the port of Qinhuangdao on the Gulf of Bohai, east of Beijing. The bulk of this tonnage is moved south to power plants along China's coastline in the south and south-west. Qinhuangdao is also the export point for much of China's overseas sales.

Though the rate of growth of China's steel and coal industries matched that of the overall economy, many outsiders have looked on with disbelief, suspecting that it was unsustainable. In particular, statements by the Coal Ministry and officials from the state exporter, the China National Coal Industry Import Corporation, that exports would expand from around 27m tonnes last year to 50m tonnes by the end of the century have been dismissed as just wishful thinking. What many have believed would happen was that, far from exporting increasing volumes, China would end up importing more than it exported.

In the first four months of this year a fall in exports has borne out this belief. A three-year contract has been signed with the trader Glencore for steam coal imports for supplies to coastal stations. So far, import levels are relatively small, and little more than 4m tonnes are expected this year. But the level of coal station construction on the east and south coastal provinces - as well as existing stations accessible from the Yangtze and Pearl rivers - is such that Japanese predictions that southern China alone would be importing 50m tonnes annually within 10 years now seem plausible.

To sustain exports in face of worsening congestion on the Datong-Qinhuangdao railroad, the Chinese coal authorities have taken three steps: they have shifted the short-term expansion of exports to the coastal province of Shandong; they have encouraged additional official coal export groups to add to the efforts of CNCIEC to lift export levels and a new corporation, Shen



Workers carry basket-loads of coal to a barge on the Yangtze River

Hua, has been established to develop the enormous Shenan deposits in Shaanxi province, to the west of Shanxi.

The Shen Hua Group, which signed a letter of intent in May with Arco Coal, has been set up by the state planning commission with full funding not only to enable it to develop mining at Shenan, but also to construct a rail link to a dedicated coal terminal at Huanghua. It is very much a project for the next century, with the railway not due to complete construction before 2002. Until then, it is likely to add, rather than ease, congestion problems between Datong and Qinhuangdao since, while new rail links have just been built to take coal from Shenan out of Shanxi to Inner Mongolia (via Baotou in Inner Mongolia) and the south of the deposit (through in Shouxi in Shanxi). Only the extension of this line from Shou Xian through to Hebei province and finally directly to Huanghua will help ease this congestion.

Shenan is the only big new coal area which is likely to make a lasting impact on international markets for the next decade. There are plans to develop the Jungar deposit in Inner Mongolia, but CNCIEC officials believe it has too low a calorific value to interest overseas buyers. Also a second Pingshuo pit may be built in Shanxi, but that looks at least a decade off.

The first Pingshuo pit was built as a joint venture between the Chinese and Island Creek Coal China, a subsidiary of Occidental Petroleum. But the partnership broke up, though the big (16m tonne a year) pit continues to operate very successfully.

The expansion of Shandong as an export province will mainly be in steam coal, with the addition of supplies from Nantun and Dongtan mines in the Yanzhou area of the province. These will face a relatively short rail haul to the province's ports of Qianwan, Rizhao and Lianyungang.

On the commercial front, China has ceased to be a world supplier. Even in Asia, it ships almost exclusively to a tight region covering Japan and

North and South Korea. If the international coal industry no longer fears that it will be overwhelmed by Chinese exports, it has yet to be convinced of a Chinese importing bonanza. But the evidence is emerging. It is not only Glencore's three-year, 3m-tonne annual contract for coastal power plant (which adds to its agreement to supply Shajiao B in Guangdong which will eventually involve 2m tonnes a year). In addition, several Australian producers have struck up independent business deals.

Much more is still to come, with the bulk of the offers called for by the Chinese authorities for private power projects involving coal-firing. Altogether 78,500MW (involving upwards of 160m tonnes of annual coal burn) of the 135,000MW solicited by Chinese authorities are coal-burners. An additional 95,000MW have been proposed. Many are in provinces with no or little coal resource, such as Fujian.

Gerard McCloskey is managing director of McCloskey Coal Information Services and editor of International Coal Report.

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Table with columns for Country, Closing mid-point, Change on day, Bid/offer spread, Days' bid/offer, One month rate, Three months rate, One year rate, Bank of England index.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns for Country, Closing mid-point, Change on day, Bid/offer spread, Days' bid/offer, One month rate, Three months rate, One year rate, J.P. Morgan index.

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Table with columns for Money Rates, One month, Three months, Six months, One year, Lomb. Inter., De. Inter., Repo rate.

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Table with columns for Exchange Cross Rates, Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

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LONDON MONEY RATES

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Table with columns for Philadelphia Secs Options, Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns for Bank of England Treasury Bill Tender, Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

BASE LENDING RATES

Table with columns for Base Lending Rates, Country, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer, Bid, Offer.

UK GILTS PRICES

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STOCK INDICES

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Table listing alcoholic beverage companies and their share prices.

CHEMICALS

Table listing chemical companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing electronic and electrical equipment companies.

EXTRACTIVE INDUSTRIES - Cont.

Table listing extractive industries companies.

HOUSEHOLD GOODS

Table listing household goods companies.

INVESTMENT TRUSTS - Cont.

Table listing investment trusts.

BANKS, MERCHANT

Table listing banks and merchant companies.

DISTRIBUTORS

Table listing distributor companies.

ENGINEERING

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Advertisement for 'A DISASTER STORY EVERY DIRECTOR SHOULD READ' by Business Continuity, featuring a 'Safety net' logo and contact number 0500 855311.

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Handwritten Arabic text in a box at the top of the page.

LONDON SHARE SERVICE

BN TRUSTS SPLIT CAPITAL - Cont.

Table listing various BN Trusts Split Capital investments with columns for Name, Price, and other financial metrics.

LEISURE & HOTELS - Cont.

Table listing Leisure & Hotels companies with columns for Name, Price, and other financial metrics.

OTHER FINANCIAL - Cont.

Table listing Other Financial companies with columns for Name, Price, and other financial metrics.

PROPERTY - Cont.

Table listing Property companies with columns for Name, Price, and other financial metrics.

SUPPORT SERVICES - Cont.

Table listing Support Services companies with columns for Name, Price, and other financial metrics.

AIM - Cont.

Table listing AIM (Alternative Investment Market) companies with columns for Name, Price, and other financial metrics.

OTHER INVESTMENT TRUSTS

Table listing Other Investment Trusts with columns for Name, Price, and other financial metrics.

INVESTMENT COMPANIES

Table listing Investment Companies with columns for Name, Price, and other financial metrics.

LIFE ASSURANCE

Table listing Life Assurance companies with columns for Name, Price, and other financial metrics.

MEDIA

Table listing Media companies with columns for Name, Price, and other financial metrics.

PAPER, PACKAGING & PRINTING

Table listing Paper, Packaging & Printing companies with columns for Name, Price, and other financial metrics.

PHARMACEUTICALS

Table listing Pharmaceuticals companies with columns for Name, Price, and other financial metrics.

RETAILERS, FOOD

Table listing Retailers, Food companies with columns for Name, Price, and other financial metrics.

RETAILERS, GENERAL

Table listing Retailers, General companies with columns for Name, Price, and other financial metrics.

TELECOMMUNICATIONS

Table listing Telecommunications companies with columns for Name, Price, and other financial metrics.

TEXTILES & APPAREL

Table listing Textiles & Apparel companies with columns for Name, Price, and other financial metrics.

AMERICANS

Table listing American companies with columns for Name, Price, and other financial metrics.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and other financial metrics.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and other financial metrics.

TOBACCO

Table listing Tobacco companies with columns for Name, Price, and other financial metrics.

TRANSPORT

Table listing Transport companies with columns for Name, Price, and other financial metrics.

Advertisement for Nick Garnell, Managing Director of Psychosis, a Sony Company. Text: 'THERE IS A POOL OF TALENT HERE FOR THE HI-TECH POSITIONS WE REQUIRE. WE REQUIRE. A pool of talent. 0800 22 0151. Email: mercsey@btmail.cybase.co.uk'

OIL EXPLORATION & PRODUCTION

Table listing Oil Exploration & Production companies with columns for Name, Price, and other financial metrics.

OIL, INTEGRATED

Table listing Oil, Integrated companies with columns for Name, Price, and other financial metrics.

PHARMACEUTICALS - Cont.

Table listing Pharmaceuticals companies (continued) with columns for Name, Price, and other financial metrics.

PROPERTY

Table listing Property companies with columns for Name, Price, and other financial metrics.

RETAILERS, GENERAL - Cont.

Table listing Retailers, General companies (continued) with columns for Name, Price, and other financial metrics.

SUPPORT SERVICES

Table listing Support Services companies with columns for Name, Price, and other financial metrics.

WATER

Table listing Water companies with columns for Name, Price, and other financial metrics.

AIM

Table listing AIM companies with columns for Name, Price, and other financial metrics.

GUIDE TO LONDON SHARE SERVICE

Price for the London Share Service... Company classifications are based on those used for the FT-SE 100 Index... This service is available to companies where shares are regularly traded in the United Kingdom for a list of 1995-96 year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Address: Trade Press, Hemmings Way, 122c, City Road, London EC1A 9ET. Telephone: 020 7777 7777.

FT Free Annual Reports Service

You can obtain the current annual reports of any company included in the FT-SE 100 Index after the share price falls below 50p per share. Reports will be sent the next working day, subject to availability.

FT Company Focus

Comprehensive 10-14 page report available on the company, containing key FT shares from the last year, latest survey of key FT40 forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for 1995-96.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0208 43 0201. 43 followed by the four-digit code listed after the share price falls below 50p per share. The code rate and 40p per minute at all other times.

FT MANAGED FUNDS SERVICE

Offshore Funds

FT Cityline Unit Trust Prices: call 0881 490010 and key in a 5 digit code listed below. Calls are charged at 39p/minute at peak rate and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 673 4378.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Table listing Bermuda funds including Fidelity Corporate Funds Ltd, Fidelity International Funds Ltd, and Fidelity Overseas Funds Ltd.

BERMUDA (REGULATED)**

Table listing regulated Bermuda funds including American Intl Investment Fund, Bermuda Intl Investment Fund, and Bermuda Intl Growth Fund.

GUERNSEY (SIB RECOGNISED)

Table listing Guernsey funds including American Intl Investment Fund, Bermuda Intl Investment Fund, and Bermuda Intl Growth Fund.

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Table listing Luydia International Money Market Fund Ltd funds.

M & G (GUERNSEY) LTD

Table listing M & G (Guernsey) Ltd funds.

ROYAL BANK OF CANADA INTL MGMT - CONT.

Table listing Royal Bank of Canada International Management funds.

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LIST ASSET MANAGEMENT LTD - CONT.

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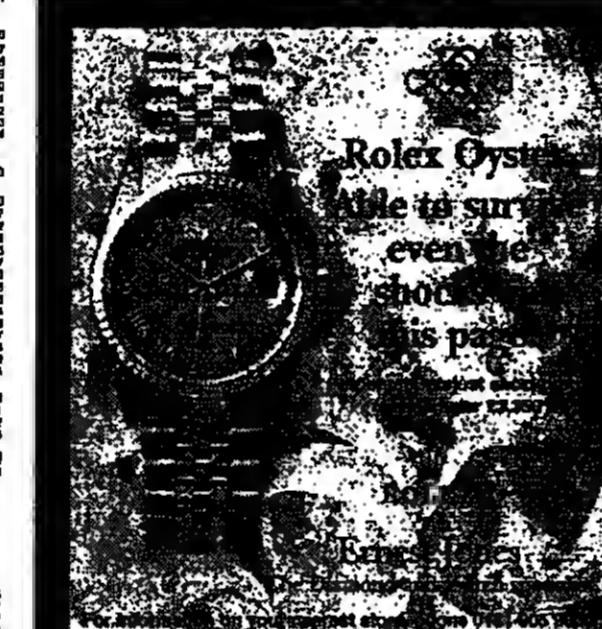
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July 10 1990

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices: dist 0891 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

Main table containing fund names, descriptions, and prices. Includes sections for 'LUXEMBOURG (REGULATED)', 'Merrill Lynch Asset Management', and 'State Street Luxembourg SA'. Each entry lists fund names, ISIN codes, and various price points.

OFFSHORE INSURANCES

Table listing offshore insurance companies and their products. Includes names like 'AIA Equity & Low Life Assurance Co', 'Allstate International Ltd', and 'Allied Dunbar International Assurance Ltd'.

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JERSEY (REGULATED)

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Trust Prices: dial 0881 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap rates and 45p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (444 171) 873 4378.

Main table listing various fund categories such as Global, UK, and International funds, including fund names, codes, and prices.

FOR THE BEST RETURN ON YOUR MONEY, COME AND SHARE OUR HOSPITALITY. All the business facilities and all the comfort you'd expect from a quality hotel. All at refreshingly low prices. No wonder Novotel offers the best return for your money. For more information on our 18 hotels in the UK and 300 worldwide, call 0181 748 3433.

OTHER OFFSHORE FUNDS

Table listing other offshore funds with columns for fund name, code, and price.

MANAGED FUNDS NOTES

Notes regarding managed funds, including information on fund performance, risks, and contact details.

Judicio Ltd

WORLD STOCK MARKETS

Table of world stock market data including sections for EUROPE (Austria, Germany, Italy, etc.), ASIA (Japan, Korea, etc.), and PACIFIC (Australia, New Zealand, etc.). Each section lists various stock indices and their performance.

Advertisement for Rockwell: 'By meeting customer needs, Rockwell has become a world leader in components and systems for cars, trucks and trailers. Rockwell logo and text.

Table of stock market data for various European countries including Austria, Germany, Italy, and others, listing stock prices and indices.

Table of stock market data for various Asian countries including Japan, Korea, and others, listing stock prices and indices.

Table of stock market data for various Pacific countries including Australia, New Zealand, and others, listing stock prices and indices.

Table of stock market data for various African countries including South Africa, Nigeria, and others, listing stock prices and indices.

Table of stock market data for various South American countries including Brazil, Chile, and others, listing stock prices and indices.

Table of stock market data for various Asian countries including Hong Kong, Singapore, and others, listing stock prices and indices.

Table of stock market data for various European countries including France, UK, and others, listing stock prices and indices.

Table of stock market data for various Asian countries including India, Thailand, and others, listing stock prices and indices.

Table of stock market data for various Asian countries including Malaysia, Indonesia, and others, listing stock prices and indices.

Footnote and disclaimer text: 'The FT 1000 is a composite index of the 1000 most actively traded shares in the FTSE 1000...'

NEW YORK STOCK EXCHANGE PRICES

Am close Jul 5

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'New York Stock Exchange', 'NASDAQ', and 'Over-the-counter'.

Advertisement for Hewlett-Packard with the slogan 'Reach for it. If the business decisions are yours, the computer system should be ours.' Includes the HP logo and website URL.

Advertisement for SWI (Swiss Water) coffee, featuring a large image of a coffee cup and the brand name.

Handwritten signature 'L. J. ...' in blue ink at the bottom center of the page.

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', and 'X-Y-Z'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Switzerland' featuring the text 'Have your FT hand delivered in Switzerland' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

FT GUIDE TO THE WEEK

MONDAY 8

EU ponders Emu progress

Ireland opens its six-month EU presidency with a meeting of finance ministers in Brussels which will consider progress towards a single European currency.

Lake meets Chinese leaders

Anthony Lake, the US national security adviser, begins three days of discreet discussions in China. Mr Lake will meet President Jiang Zemin, Li Peng, the premier, and Qian Qichen, the foreign minister.

OAU considers African force

African heads of state meet in Yaounde, Cameroon, for the 33rd annual summit of the Organisation of African Unity. Conflict resolution in Africa will top the agenda.

World Court rules on N-tests

The World Court in The Hague gives its advisory ruling on whether international law allows nuclear weapons to be tested, used or threatened to be used.

was sought by the United Nations general assembly and the World Health Organisation after test explosions in the South Pacific by France - following which China resumed its own testing programme.

Polish president sees Clinton

Aleksander Kwasniewski, the president of Poland, meets Bill Clinton, the US president, on Mr Kwasniewski's first official trip to the US.



In a state visit to Britain, Nelson Mandela, the South African president, will appear at Trafalgar Square - where anti-apartheid activists protested for years

concerned to shake off its image as competing former communist. Poland needs to win credibility for Nato membership - for which obtaining the ratification of Congress will be hard.

FT Survey World Coal Industry

Public holidays Malawi, Solomon Islands, St Vincent, Tanzania, Yugoslavia.

TUESDAY 9

Mandela starts UK visit

Nelson Mandela, the president of South Africa, begins a four-day visit to Britain, which is the biggest investor in his country.

Israeli PM makes US trip

Benjamin Netanyahu, the Israeli prime minister, makes his first visit to the US as premier of the Jewish state.

Israeli troops from the occupied West Bank town of Hebron. Mr Netanyahu will also hold discussions with the International Monetary Fund and World Bank.

FT Surveys Ghana; Romania

Public holidays Argentina, Morocco, St Vincent.

WEDNESDAY 10

British MPs debate their pay

MPs' ethics return to the centre stage in the UK as the House of Commons debates plans for a 30 per cent pay increase for backbenchers and larger rises for ministers.

German budget cuts sought

Theo Waigel, the German finance minister, will seek politically controversial spending cuts when the Bonn cabinet agrees the draft federal budget for 1997.

spending cuts when the Bonn cabinet agrees the draft federal budget for 1997. Tense negotiations over defence outlays have symbolised the finance ministry's struggle to keep overall federal spending down to DM428bn (£196bn) next year.

Indian parliament convenes

India's parliament convenes for what is likely to prove a noisy and fractious "monsoon" session. The main business will be the presentation of the new United Front's first budget by P. Chidambaram, the finance minister.

Golf

Scottish Open, Carnoustie (to July 13).

FT Survey FT Exporter

THURSDAY 11

Saleroom

The passionate last love letters written by Dylan Thomas to his wife Caitlin are among the items in a Sotheby's auction of English literature and history in London.

included is an archive relating to Lawrence of Arabia, including his copy of The Student's Arabic-English Dictionary, estimated to fetch up to \$5,000, and the diaries of John Mottley, the US ambassador in London in the 1920s, which are expected to sell for \$40,000.

Equestrianism

Royal International Horse Show, Hickstead (to July 14).

Swimming

ASA National Championships, Leeds (to July 14).

FT Surveys Kazakhstan; Maharashtra

Public holidays Kiribati, Mongolia

FRIDAY 12

Lloyd's to report £1bn profit

Lloyd's of London, which reports three years in arrears, publishes figures which will show that a profit of more than £1bn was generated in 1995. The latest results follow five years of losses totalling more than \$2bn.

Orangemen march in Ulster

Protestant Orangemen, with their lumbering drums, sashes and bowler hats, gather throughout Northern Ireland to mark King William's victory over the Catholic King James II at the Battle of the Boyne.

Athletics

KP Games grand prix event, London.

Bowls

Scottish Masters, Aberdeen (to July 14).

Public holidays Australia, Kiribati, Mongolia, Sao Tome, UK (Northern Ireland)

SATURDAY 13

Cuba-US flashpoint fears

Cuba-US relations will be sorely tested, with a flotilla of small Cuban-American boats and some light aircraft expected to

commemorate the second anniversary of the sinking of an overcrowded tugboat carrying Cubans fleeing to Florida. Up to 41 people drowned in the incident, which was blamed by the exiles on Havana.

Tango festival in Finland

Tango lovers - of the dance variety - gather for one of its biggest annual festivals, not in the bars of Buenos Aires but beside a Finnish lake.

expected to visit the Tangomarkkinat festival in the town of Seinajoki, north of Helsinki. A king and queen of tango will be crowned in a ceremony broadcast to about one fifth of the population.

Cricket

Benson and Hedges Cup final, Lord's: Lancashire v Northamptonshire.

Public holiday Mongolia

SUNDAY 14

Mexican party elects leader

Mexico's strongest leftwing party, the opposition Democratic Revolution Party, elects a new leader to replace Porfirio Muñoz Ledo. The victor will tackle issues such as the party's participation in negotiations on electoral reform.

Mandela at Bastille day

Nelson Mandela, the South African president, is in Paris for the Fête Nationale, celebrating the fall of the Bastille, on his first visit as head of state.

Motor racing

British grand prix, Silverstone.

Public holiday Iraq

Compiled by Simon String. Fax: (+44) (0)171 873 3194.

Other economic news

Monday: G10 central bankers meet in Basle and EU finance ministers in Brussels. UK raw material prices are thought to have continued falling last month.

Tuesday: UK Treasury summer forecast published. German unemployment is predicted to have risen last month and Mexican inflation to have declined in June.

Wednesday: Denmark's trade surplus is forecast to have narrowed in April. Raw material price inflation is thought to have slowed in May in both Spain and the Netherlands.

Thursday: The Bundesbank council meets, but is not expected to change German interest rates. UK inflation is predicted to have fallen fractionally last month.

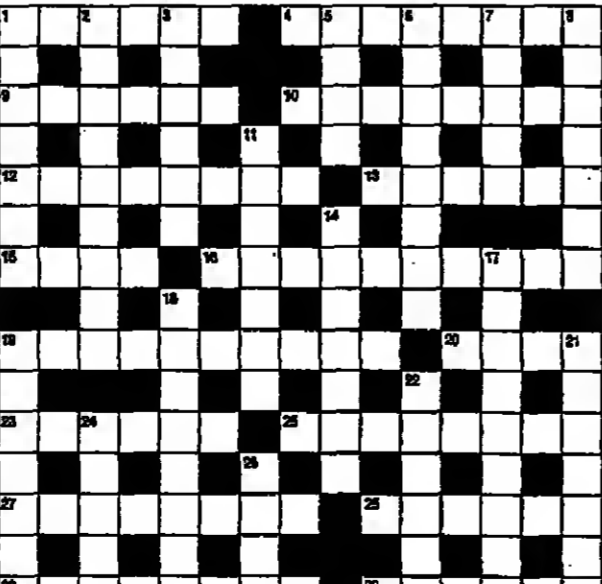
Friday: US retail sales are predicted to have rebounded in June after falling slightly in the previous month. French inflation is thought to have been stable last month, but Spanish inflation may have edged higher.

ECONOMIC DIARY

Table with columns: Day Released, Country, Economic Statistic, Median Forecast, Previous Actual, Day Released, Country, Economic Statistic, Median Forecast, Previous Actual. Includes data for UK, US, Germany, Japan, Italy, Spain, and N'tands.

- ACROSS 1 Suitable cut-out for computer (9) 4 Moneylender's overtures? (8) 9 The Pope goes out to meet the French nation (6) 10, 19 It's not a surprise ending (8,10) 12 Instrument with the stamp of fine stuff (8) 13 Follow a racing tip (6) 15 Amy's out getting vegetables (4) 16 Open hostility (7,3) 19 See 10 across 20 Spring from the bows (4) 23 They raise this so awkwardly (5) 25 In retirement Edward longed to be free of ties (8) 27 and 23 down Barmaid need not give change for this machine (3-5-6) 28 Do have a setback with debts admitted to be bad (6) 29 Electro-magnet needed when the old one is replaced (8) 30 It's heavy going getting a mad dog into a pen (6)

- DOWN 1 Disease the French experts remedy finally (7) 2 He turns up in the country (9) 3 Overweight blondes, initially, yearn to get in shape (7) 5 One is put out when shown this (4) 6 Opening for a photographer (6) 7 Stop being stuffy (5) 8 No mean poet! (7) 11 Medical problem for a seaside resort (7) 14 We all do wrong if permitted (7) 17 Guard what one says - it's so good maxin (9) 18 Poor Latin for press agent (4-4) 19 In such agreement cash, too, is involved (7) 21 Reserve an enclosure, after a fashion (7) 22 See 27 across 24 Thought a pupil perfect (5) 26 Each one a fairy! (4)



MONDAY PRIZE CROSSWORD No.9,114 Set by DANTE

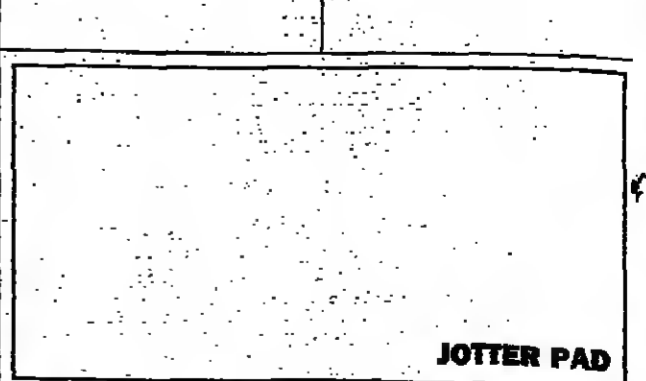
A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of 500 Pelikan vouchers will be awarded. Solutions by Thursday July 18, marked Monday Crossword 9,114 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8SL. Solution on Monday July 22. Please allow 28 days for delivery of prizes.

Name: Address: Winners 9,102 Solution 9,102

R. Howard Smith, Sheffield Rosamund Andrews, Hay-on-Wye, Hereford Jill Edge, London SW16 Caroline Munro, Penn Street, Bucks M.C. Payne, Colne, Lancashire A. Petersen, Barrington Hills, Illinois, USA



Table with columns: Item, Unit, Price, Item, Unit, Price. Lists various commodities and their prices, including oil, sugar, and metals.



JOTTER PAD

سكنا من الأمل